CONNECTING AMERICA: EXAMINING INTERMODAL CONNECTIONS ACROSS OUR SURFACE TRANSPORTATION NETWORK

HEARING
BEFORE THE
SUBCOMMITTEE ON TRANSPORTATION AND SAFETY
OF THE
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE
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# CONTENTS

<table>
<thead>
<tr>
<th>Hearing held on February 26, 2019</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of Senator Fischer</td>
<td>1</td>
</tr>
<tr>
<td>Statement of Senator Duckworth</td>
<td>2</td>
</tr>
<tr>
<td>Statement of Senator Klobuchar</td>
<td>33</td>
</tr>
<tr>
<td>Statement of Senator Blumenthal</td>
<td>34</td>
</tr>
</tbody>
</table>

## WITNESSES

<table>
<thead>
<tr>
<th>Name and Organization</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chuck Baker, President, American Short Line and Regional Railroad Association (ASLRRA)</td>
<td>4</td>
</tr>
<tr>
<td>Dr. Noel Hacegaba, Deputy Executive Director, Port of Long Beach, on Behalf of the Intermodal Association of North America</td>
<td>5</td>
</tr>
<tr>
<td>Donna Lemm, Advisory Board Member, Agriculture Transportation Coalition; and Executive Vice President, IMC Companies, Inc.</td>
<td>10</td>
</tr>
<tr>
<td>Joseph Szabo, Executive Director, Chicago Metropolitan Agency for Planning; and Board Member, Coalition for America’s Gateways and Trade Corridors.</td>
<td>16</td>
</tr>
</tbody>
</table>

## APPENDIX

<table>
<thead>
<tr>
<th>Response to written questions submitted to Chuck Baker by:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hon. John Thune</td>
<td>41</td>
</tr>
<tr>
<td>Hon. Maria Cantwell</td>
<td>43</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Response to written questions submitted to Dr. Noel Hacegaba by:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hon. Maria Cantwell</td>
<td>43</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Response to written question submitted to Donna Lemm by:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hon. John Thune</td>
<td>45</td>
</tr>
<tr>
<td>Hon. Maria Cantwell</td>
<td>46</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Response to written questions submitted to Joseph Szabo by:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hon. Maria Cantwell</td>
<td>49</td>
</tr>
</tbody>
</table>
CONNECTING AMERICA: EXAMINING INTERMODAL CONNECTIONS ACROSS OUR SURFACE TRANSPORTATION NETWORK

TUESDAY, FEBRUARY 26, 2019

U.S. Senate,
Subcommittee on Transportation and Safety,
Committee on Commerce, Science, and Transportation,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:33 p.m. in room SD-562, Dirksen Senate Office Building, Hon. Deb Fischer, Chairwoman of the Subcommittee, presiding.
Present: Senators Fischer [presiding], Duckworth, Klobuchar, and Blumenthal.

OPENING STATEMENT OF HON. DEB FISCHER,
U.S. SENATOR FROM NEBRASKA

Senator FISCHER. I call this hearing to order. I am pleased this afternoon to convene the Senate Subcommittee on Transportation and Safety.

Our hearing today, titled Connecting America: Examining Intermodal Connections across our Surface Transportation Network, is an opportunity to better understand the state of our surface transportation infrastructure.

First, I would like to welcome the new Ranking Member of the Transportation and Safety Subcommittee, Senator Tammy Duckworth. I look forward to working with her closely on finding bipartisan solutions to the pressing challenges of our transportation system.

This hearing today will focus on the state of intermodal transportation. As the world becomes more interconnected, we rely more on intermodal transportation to import and export goods as well as to move freight domestically.

The United States Department of Transportation estimates that freight tonnage will increase by 40 percent by the year 2045. In 2015, DOT forecasted the shipments of freight across multiple modes will double by 2045. We’ve seen this trend play out over the last several years.

The Association of American Railroads reported that shipments of intermodal containers and trailers by rail increased 5.5 percent last year. This is the fifth time in the last 6 years that the intermodal sector has set a new record, according to John Gray of AAR.

Considering the impact of intermodal transportation is an important part of addressing the future needs of our Nation’s surface
transportation system. This includes intermodal infrastructure, such as inland ports and intermodal facilities and new freight-related technologies, such as GEIs, and Port Optimizers. Support for intermodal should not come at the expense of maintaining traditional infrastructures, such as roads and bridges, but in conjunction with it.

Many of us hear from our constituents about the poor state of infrastructure in the United States. Their concerns have been confirmed by numerous studies, including the oft-cited Infrastructure Report Card from the American Society of Civil Engineers, which gave the United States infrastructure a D+ in 2017.

Solutions for maintaining and improving our infrastructure are vital to discussion on the reauthorization of the FAST Act and in this Congress, I plan to reintroduce my bill, the Build USA Infrastructure Act, which aims to address the funding shortfall and modernize our infrastructure system.

My bill would dedicate an additional $21.4 billion to the Highway Trust Fund each year for the next 5 years following the expiration of the FAST Act. Under my solution, states would have more flexibility to approve the design, construction, and permitting of infrastructure projects by voluntarily entering into remittance agreements with the Federal Highway Administration.

I look forward to working with my colleagues on this proposal.

In addition to discussing infrastructure, this hearing will also allow members to consider important issues affecting intermodal transportation, such as the effects of increased intermodal transportation, congestion problems, and recent challenges with access to chassis.

We have several witnesses before the Committee today that I believe are going to speak directly to the needs of intermodal transportation and I am especially grateful to Dr. Hacegaba and Ms. Lemm, Mr. Szabo, for their willingness to travel to participate in this hearing. I look forward to their testimony.

I also am pleased the other witnesses are here, as well. I look forward to all of your testimony and right now, I would invite my colleague, Senator Duckworth, for her opening remarks.

STATEMENT OF HON. TAMMY DUCKWORTH, U.S. SENATOR FROM ILLINOIS

Senator Duckworth. Thank you, Chairwoman Fischer. Thank you so much for holding today's hearing on freight and intermodal transportation infrastructure.

I am so excited to be Ranking Member on the Surface Transportation and Safety Subcommittee and I'm looking forward to working with you on issues important to both our states and the Nation.

As you know, one of the most critical issues facing our Nation is the growing need to reinvest in our Nation's infrastructure. Our economic competitiveness depends on the efficient movement of freight, whether it's carried on highways, railways, or waterways.

Every day, our freight system moves 55 million tons of goods worth $50 billion, supporting 44 million jobs. Most freight enters our country by ships through ports. It's then moved to businesses across the Nation by a combination of truck and rail car.
Intermodal connections become extremely important to ease the transfer of freight from one mode to another, and unfortunately, this transition is not always smooth, as we all know too well in Chicago, in my home state of Illinois.

We often call Northeastern Illinois the crossroads of America. The Chicago Land Region is the busiest rail hub in the Nation. For decades, it has been the main transportation hub for goods moving throughout the United States. Six of seven major freight rail companies traverse the region daily but the region’s rail infrastructure, built more than a century ago, has not kept pace with demand.

Fortunately, a diverse group of stakeholders is changing that. The CREATE Program, the first of its kind public-private partnership under a project of national significance, will provide the important investments needed to modernize the region’s rail infrastructure to improve reliability and safety.

I’m very proud that CREATE has received significant Federal funds, including a $132 million grant in 2018, to be used not only in the Chicago region but the entire state of Illinois and the Nation. Federal funding for freight and intermodal projects is critical to address state, local, and private infrastructure investment.

This is why I’m a big supporter of Federal funding for programs, like INFRA and BUILD. The Federal Government must be a strong partner to spearhead freight projects from which we all benefit.

Highways and bridges also suffer from underinvestment. Traffic bottlenecks cost the trucking industry more than $60 billion a year in lost productivity and fuel. This increases the cost of everything we make, buy, or export.

Too many bridges are in need of repair. According to the American Road and Transportation Builders Association, more than 54,000 bridges across the Nation are structurally deficient, 54,000. In Illinois, 2,300 bridges or essentially 8 percent of all the bridges in our state are structurally deficient, and Cook County has some of the most traveled structurally deficient bridges in the state and in the country.

I want to thank all of our witnesses for joining us today. In particular, I wanted to recognize Joe Szabo, who is here today. Joe, you’ve been a real leader on transportation issues from your time in the rail industry, to village trustee and mayor, to the FRA Administrator, to CMAP Executive Director. Few others have the knowledge and experience that you bring to the table on these issues. Thank you for being here.

I look forward to hearing from the rest of the panel about how we can improve our freight transportation system. I thank you each, and I yield back.

Senator FISCHER. Thank you.

At this time, I would like to introduce Mr. Chuck Baker. I am just thrilled he is here today, didn’t mean to leave you out of my opening comments.

Mr. Baker is President of the American Short Line and Regional Railroad Association.

Would you like to give your opening statement, please, and we’ll have 5 minutes for an opening statement. Your entire statement, of course, will be included in the record.
STATEMENT OF CHUCK BAKER, PRESIDENT, AMERICAN SHORT LINE AND REGIONAL RAILROAD ASSOCIATION (ASLRRRA)

Mr. BAKER. Thank you, Chairwoman Fischer. Thank you, Member Duckworth, and Members of the Subcommittee.

My name is Chuck Baker, and I'm President of the Short Line Railroad Association.

We represent the Nation’s 603 Class II and III Railroads, which together operate nearly 50,000 miles of track or approximately 30 percent of the national rail network.

They operate in every state but Hawaii. In the states represented by this subcommittee’s members, there are 207 short lines operating 20,000 miles of track.

Short lines are the first mile and last mile of the Nation’s railroad network and they handle one out of every five rail cars moving on the national system. Although most often associated with small town and rural America, short lines also serve large urban areas and many of the Nation’s ports.

In fact, short lines provide rail service into four of the Nation’s busiest ports: Miami, Houston, Los Angeles, and Long Beach. Likewise, various short line railroads operate as switching carriers for multiple Class I railroads in Chicago, New Orleans, and St. Louis.

The nation's short lines are much more than a quaint name on the Monopoly board. The name “short line” can create the mistaken impression that all these railroads are short. In fact, they come in all sizes.

The Peru Industrial Railroad in Senator Duckworth’s state is three miles long while the Nebraska Central Railroad in Senator Fischer’s state is 340 miles long. Pan Am Railways, headquartered in Senator Markey’s state, is the Nation's longest short line, operating approximately 1,700 route miles.

Three characteristics define short lines. One, short lines are small businesses. Their combined annual revenues are less than the annual revenues of any single one of the Nation’s four largest railroads. The average short line employs fewer than 30 people.

Two, because their task was to bring back to life previously under-maintained branch lines that were otherwise headed for abandonment, they invest 25 to 33 percent of their annual revenues back into their infrastructure, making short line railroading one of the most capital-intensive industries in the entire country.

Three, in large areas of the country, and particularly in rural and small town America, short lines are the only connection to the National Rail Network for thousands of agricultural, energy, and manufacturing shippers.

To help short lines meet their investment needs, Congress enacted the Short Line Rehabilitation Tax Credit in 2004 and has renewed it six times since through 2017. The credit has been an important factor in maximizing infrastructure investment and making the credit permanent is the single most important thing Congress can do to help short line railroads.

In the last session of Congress, legislation making the credit permanent was co-sponsored by large bipartisan majorities in both the Senate and the House but, unfortunately, action was never taken on the larger tax extenders package.
I know the tax legislation is not the direct jurisdiction of this committee, but as the Committee most knowledgeable on rail infrastructure matters, I urge you to take the short line tax credit message to your Senate colleagues whenever the subject of transportation or tax is addressed.

Within your direct jurisdiction, I would like to address the importance of several programs.

We strongly support the CRISI Grant Program as it specifically provides for short line eligibility and puts a focus on benefit-cost analysis. With that level playing field, short line projects will fare well, including PTC implementation projects.

We support the Federal INFRA Program and the related State Formula Program, but for both, we would suggest the removal of the counterproductive limit on how much of the program can be spent on non-highway projects, especially in the scenario where the program is not being a hundred percent funded by highway user fees.

We also support the BUILD Grant Program. Many of you are likely familiar with the RRIF Loan Program and the many unsuccessful efforts over the years to improve the program. RRIF loans, unfortunately, will not be the solution for any meaningful number of short line railroad projects and we hope that Congress will not use the RRIF Program to check the short line box as it puts together an infrastructure package.

On the question of truck size and weight, I will simply note that short lines and the larger railroads are part of a broad coalition, including safety advocates, law enforcement officials, rail labor, truck labor, independent truckers, and even truck load carriers, who all oppose heavier and longer trucks.

Finally, we encourage you to continue to examine and, where appropriate, eliminate unnecessary Federal regulations. Unnecessary regulations divert precious financial resources from track rehabilitation and that rehabilitation is the best way to improve railroad safety.

I appreciate the opportunity to testify today and pleased to answer any questions.

Thank you.

[The prepared statement of Mr. Baker follows:]

PREPARED STATEMENT OF CHUCK BAKER, PRESIDENT, AMERICAN SHORT LINE AND REGIONAL RAILROAD ASSOCIATION (ASLRRA)

Thank you Chairwoman Fischer, Ranking Member Duckworth and Members of the Subcommittee. My name is Chuck Baker and I am President of the American Short Line and Regional Railroad Association (ASLRRA), the national trade association representing the Nation’s 603 Class II and Class III railroads (referred to here collectively as “short lines”). I appreciate the opportunity to talk about the role short line railroads play in the national transportation network.

Together, short line railroads operate nearly 50,000 miles of track, or approximately 30 percent of the national railroad network. They operate in 49 states and in 36 of those states they operate at least one quarter of the state’s total rail network. In five states, short lines operate 100 percent of the state’s rail network. In the states represented by this Subcommittee’s Members, there are 207 short lines operating over 20,000 track miles. Short lines are often called the first mile/last mile of the Nation’s railroad system and handle in origination or destination one out of every five rail cars moving on the national system.

Although short lines are most often associated with small town and rural America, they also serve large urban areas and many of the Nation’s ports. Indeed, short
line railroads provide rail service into three of the Nation's busiest ports—Miami, Los Angeles and Long Beach. Likewise various short line railroads operate as neutral switch carriers for multiple Class I railroads in Chicago, New Orleans and St. Louis. The nation’s short lines are much more than a quaint name on the Monopoly Board.

The name “short line” can create the mistaken impression that all of these railroads are very short rail lines. The fact is we come in all sizes. The Peru Industrial Railroad in Senator Duckworth’s state of Illinois is 3 miles long. The Nebraska Central Railroad in Senator Fischer’s state is 340 miles long. Pan Am Railways, headquartered in Senator Markey’s state of Massachusetts, is the Nation’s longest short line, operating approximately 1,700 route miles, and provides crucial rail service in much of New England. Our common denominator is that we operate track that would not be viable under the structure of the larger national Class I railroads.

Short lines have four defining characteristics.

1. **Short lines are small businesses.** Our combined annual revenues are less than the annual revenues of any single one of the Nation’s four largest Class I railroads. The average short line employs 30 people or less, and a significant number are run with less than a dozen employees. Like all small businesses, we are forced to do more with less.

2. **Our importance is not our size or our total market share, but in who and where we serve.** For large areas of the country and particularly for small town and rural America, short line railroad service is the only connection to the national railroad network. For the businesses and farmers in those areas, our ability to take a 25-car train 75 miles to the nearest Class I interchange is just as important as the Class I’s ability to attach that block of traffic to a 100-car train and move it across the country. While Midwestern grain shippers could not complete the journey to poultry farm markets in the southeastern United States without Class I railroad service, they could not start or end the journey without short line service.

   Short lines serve over 10,000 shippers nationwide and we find those shippers quite willing to testify to the importance of this first mile/last mile service. I have included at the end of my testimony a list of quotes from short line customers. We have selected a wide variety from across the country to give you a sense of the important relationship between shippers and their short lines. In general, they sound like this: “Our serving short line railroad is truly a partner for our paper mill. The services provided, including freight haul in and out, daily switches, and rail car maintenance help us keep our mill running successfully day in and day out. It is critical to the 400 plus people employed here that our short line railroad be able to continue to operate successfully.”

3. **The majority of short lines operate track that was headed for abandonment under previous Class I owners.** These were light density branch lines that could not generate enough profit under the cost structure of the big national carriers. Because these were marginal or money losing lines they received little investment prior to their sale, resulting in significant deferred maintenance. To be successful, short line owners must not only eliminate that deferred maintenance but upgrade their tracks to handle the heavier, longer trains that are becoming the national standard. To do that, short lines invest on average from 25 to 33 percent of their annual revenues in rehabilitating their infrastructure and this makes short line railroading one of the most capital intensive industries in the country. To provide some dollar perspective, to rehabilitate one mile of typical 90-pound track up to the 115-pound rail needed to handle today’s modern railcars costs between $400,000 and $500,000, and we need to do that across much of a 50,000 mile network.

   Likewise a single bridge replacement is a multi-million dollar project. We estimate the total short line cost for what needs to be done just for track and bridges is $10.8 billion.

4. **Without upgrades to short line tracks and bridges, customers served by short lines face potential competitive disadvantages.** If a short line is not able to handle an industry-standard, heavier-weight freight car, they must ship or receive rail shipments in smaller rail cars. This will become a more pronounced problem with time, as the older, smaller freight cars used in the national railroad fleets reach their mandatory retirement age and become unavailable. At that point, shippers will either have to use the newer, more expensive freight cars and light load them, or divert their shipments to trucks.

Before I discuss the various infrastructure and safety programs under the jurisdiction of the Commerce Committee, let me emphasize that the most important and
effective infrastructure program for the short line industry is the Short Line Rail-
road Rehabilitation Tax Credit, sometimes known by its U.S. Code section number
45G. Congress enacted the credit in 2004 and has renewed it six times through
2017. In the 115th Congress a bi-partisan majority in both the House and Senate
co-sponsored legislation to make the credit permanent. In the Senate it was the
most heavily co-sponsored bill of all the tax bills introduced in that Session of Con-
gress. Unfortunately that legislation, along with the other tax extenders, didn’t pass
Congress in 2018 or as of yet in 2019. However, new House and Senate bills,
H.R. 510 and S.203, have been introduced in this session of Congress and have al-
ready attracted 21 cosponsors in the Senate and 116 in the House.

While I know there are deep partisan divisions on tax issues I believe the short
line rehabilitation tax credit has characteristics that are widely supported by both
political parties and by most economists, and that is evidenced by the bipartisan
support of both bills.

The credit maximizes private investment in important transportation infrastruc-
ture. The railroad must spend two dollars for every dollar in credit up to a credit
cap equivalent to $3,500 per mile of track. The government is not giving these small
businesses a dollar, but rather letting them invest more of their own money in cap-
tital improvements. Since 2005 the credit has leveraged over $4 billion in capital
projects. This additional spending power allows short lines to speed up projects that
are in the works and take on new projects that would otherwise be unaffordable.

Investing in better track leverages significant additional investment by railroad
customers. For example, in South Dakota the improvements made by the 670 mile
Rapid City, Pierre & Eastern Railroad since it began operations in 2015 has already
attracted over $311 million in new facility investments by 6 South Dakota compa-
nies. Those facilities employ 260 workers. This result is being duplicated in the 49
states that are served by short line railroads.

Railroads are an all-American proposition. They can’t take their operations or
their jobs overseas. Virtually everything they buy for infrastructure improvement—
the ties, the steel rail, the ballast, the locomotives and the freight cars—are made
in America. The Railway Tie Association reports that the 45G credit has resulted
in short line tie purchases of between 500,000 and one million over and above their
normalized annual purchases.

Railroad rehabilitation is a labor intensive effort. As small businesses most short
lines do not have the necessary in-house labor force or specialized equipment to
complete major rehabilitation projects so they must hire contractors and lease heavy
machinery for the majority of the work. The Federal Railroad Administration esti-
mates that half of every dollar spent on short line track rehabilitation goes to pay
workers.

We know and appreciate that many of you agree. The majority of this Sub-
committee serving in the last Congress were co-sponsors of the legislation extending
the credit. Likewise full Committee Chairman Curbelo and Ranking Member Cant-
well were co-sponsors. We look forward to newly elected Senator Scott of Florida
joining as a co-sponsor in 2019.

I know that tax legislation is not the purview of this Committee but as the Com-
mittee that is the most knowledgeable when it comes to railroad infrastructure mat-
ters, I urge you to take our tax credit message to your Senate colleagues whenever
and however the subject of transportation infrastructure is addressed in this Con-
gress, and to address tax extenders expeditiously.

With regard to that which is directly in this Committee’s jurisdiction, let me com-
ment on a number of specific programs and conclude with some thoughts on infra-
structure programs in general.

We strongly support the CRISI program as it specifically provides for short line
eligibility and puts a focus on benefit-cost analysis. We think with that level playing
field, short line projects will fare well. Further it includes a special category for
Railroad Safety Technology Grants which can potentially be very helpful as we work
to implement and pay for the Positive Train Control mandate. We are pleased that
Congress has provided a robust $255 million for CRISI in FY 2019 and we hope that
at least that level continues in the future. We believe CRISI can be an important
and effective program that you should incorporate into whatever transportation in-
frastructure legislation you are able to advance.

We strongly support the BUILD grant program and are likewise pleased with the
$900m in FY19 funding provided for this program. While the benefit-cost analysis
hurdles are steep for short lines operating in rural areas and serving relatively
small shippers, short lines have succeeded in securing numerous grants over the life
of the program. The application process is extraordinarily time consuming and the
competition is fierce for these grants, but year after year many short lines are will-
ing to go through the process and in general we have found that short line projects
stack up pretty well against projects from other modes when measured on any sort of apples-to-apples basis.

We are also supportive of the INFRA grant program. There is value in a merit-based discretionary grant program open to multiple modes of transportation, especially one that is focused on freight and goods movement. While the main category of INFRA is targeted at mega projects that exceed the size of most short line work, the small project portion of the program is of value to us. We would be supportive of a significant expansion of INFRA in a new infrastructure package, but would suggest an expanded small project component and also a removal of the arbitrary and counterproductive limit on how much of the program can be spent on non-highway projects, especially in a scenario where the program is not being 100 percent funded by a highway use fee. As the committee knows, as evidenced by this very hearing, the national transportation system is multi-modal and intermodal in nature, so stove-piping of major programs for one transportation mode should be avoided if at all possible, especially if the funding is not entirely provided by users of one mode.

Similarly, we are supportive of the state freight program included in the FAST Act, and similarly we would support an expansion of this program in the next surface transportation reauthorization bill with a removal of counterproductive limits on how much of the program can be spent on rail, port, and other non-highway projects.

Many of you are likely familiar with the RRIF loan program and the many efforts by Congress and both Republican and Democratic Administrations over the years to improve the program—efforts that have met with limited success. I will not repeat all that history here, but I do want to caution the Committee with regard to RRIF’s potential to address short line infrastructure issues. The RRIF program is just an authorization for $35 billion in loan authority. It is not contract authority or authority for an appropriation, it is just a loan that needs to be paid back. In the 20 year history of the program only $5.3 billion in loans have been approved and the vast majority of that has gone to Amtrak and public transit agencies. It typically takes over two years to get a single loan approved and the cost of processing is extraordinarily high.

RRIF loans are not going to be the solution for any meaningful number of short line rail rehabilitation projects and we hope that Congress will not use the large loan authority number to “check the short line box” as it puts together an infrastructure or surface transportation reauthorization package.

While there appears to be general agreement that Congress should enact a significant infrastructure funding package, the specifics are still to be determined. As you consider how to proceed we believe there are six general provisions that will be important for short line participation in any major grant program:

1) Short lines should be directly eligible applicants for project grants, similar to CRISI. Too often in the past, Federal programs have been only open for application to local units of government, which in turn requires short lines to create unnecessarily complex and burdensome applicant structures and which sometimes favors politically popular projects over economically beneficial projects.

2) The application process needs to be as simple and transparent as possible. Short lines are small businesses and generally the individuals writing and engaging with the government on our applications are employees with other duties on the railroad. We don’t have full time grant writers or the resources to hire expensive consulting firms.

3) The analysis used to judge a project should not be a rigid one-size-fits-all process. For example, the process to apply, the public planning and the engineering required, and the appropriate benefit-cost analysis format for incrementally upgrading a ten-mile segment of existing track serving five small grain elevators should not be the same as building a new subway line or adding lanes to an interstate highway.

4) If there is to be an associated environmental approval process, it has to be completed in a reasonable period of time. Approval processes that last for years are a deal-killer to those running a business.

5) Giving preference to grant requests with “over-matching” may appear logical, but can lead to discounting otherwise important short line projects that from a financial standpoint cannot provide an overmatch of non-federal funding.

6) Imposing limits on a state DOT’s number of grant submissions allowed in a round of a program forces pre-application competition between smaller short line projects and other larger projects, often putting the smaller short line project at a disadvantage.
Whether it be in the form of a free-standing infrastructure package or the reauthoriza-
tion of the FAST Act, infrastructure legislation that this committee advances
will be a target vehicle for those who want to increase truck size and weight. Short
lines are part of a broad coalition of interests, including safety advocates, law en-
forcement officials, rail labor, truck labor, independent truckers, Class I railroads,
and even some truckload carriers, who oppose bigger and heavier trucks. Bigger
trucks mean diversion from rail to truck and thus more expensive damage to our
highways and bridges, more highway congestion, more environmental damage, and
more danger for the motoring public. The biggest hurdle to enacting new infrastruc-
ture funding legislation is finding the funding. Including a provision that guaran-
tees higher infrastructure repair costs makes the hurdle all the more difficult to
overcome and that just doesn’t make sense.

On many occasions, those who support bigger trucks have attempted to make that
change through the appropriations process. We hope that any consideration of big-
ger trucks will be tied to a full vetting by the appropriate authorizing committee
and include a full understanding of the diversion from rail to highway, the true in-
frastructure cost of accommodating larger trucks, and the safety implications of
such a change.

As you know the Surface Transportation Board (STB) now has three Board Mem-
bers and may have a full complement of five sooner rather than later and as such
will likely be taking up many substantive issues. The Board’s decisions have a sig-
ificant impact on the short line industry, particularly on regulatory matters related
to the Staggers Act. In many respects the short line industry is the child of the eco-
nomic freedoms and regulatory flexibility embodied in the Staggers Act of 1980, al-
lowing railroads to save light density branch lines rather than abandoning them.
The results are quite remarkable. Short lines have grown from 8,000 miles of track
in 1980 to nearly 50,000 today, insuring that huge areas of rural and small town
America stay connected to the national railroad network. The STB has played an
important role in that outcome and we urge the Committee to pay careful attention
to their deliberations and decisions.

Finally, let me briefly address the subject of government regulation which has a
direct impact on our ability to maximize capital investment. The short line railroad
industry is awash in unnecessary and expensive regulations that divert precious in-
vestment dollars from infrastructure improvements that are the best way to im-
prove safety. Most damaging for short lines are the kind of one-size-fits-all regula-
tions that provide no basis for the presumed benefits and that don’t take into con-
sideration our unique operating characteristics. Two stand out in particular:

1) The Part 243 minimum training standards rules pursuant to the Rail Safety
Improvement Act of 2008 impose a huge paperwork requirement on top of
what are already substantial training and qualification requirements. The
rules add a Federal requirement about how to train our employees to meet
other already existing Federal requirements, and are attempting to fix a non-
existent problem. Congress should repeal this rule or at the very least require
the Federal Railroad Administration (FRA) to retract this rule and revise it in
a much simpler fashion.

2) Mandatory two-person crews are also an attempt to impose a solution on a non-
existent problem. There is absolutely no evidence of a safety benefit generated
by a second crew member. It is particularly ironic that as the government is
spending billions of dollars to facilitate the move to driverless vehicles on the
complex open architecture of the highway system, it is considering making the
railroads do just the opposite on the simpler closed architecture of the railroad
system.

We believe that every dollar spent on these kind of excessive regulatory require-
ments is a dollar that could be better spent on improving track, rebuilding bridges
or adopting new technologies. Those are the dollars that do the most to improve
safety and make transportation costs as competitive as possible for the Nation’s
shippers.

I know this Committee does not write these rules but you have jurisdiction over
the FRA which does and I urge you be continually vigilant in your oversight of their
work. Chairwoman Fischer introduced an FRA regulatory reform bill in the last sea-
sion of Congress and we would be eager to work with this Committee on an updated
version of such legislation for inclusion in an infrastructure or surface transpor-
tation reauthorization bill.

Over the years this Committee has been diligent in exploring and understanding
what makes for an efficient, seamless multi-modal transportation network that bet-
ter connects communities and businesses across the country. Connecting communi-
ties, particularly rural, industrial, and agricultural communities, to the national
rail network and domestic and international markets is exactly what short lines do every day, and we very much appreciate the Committee’s willingness to consider our suggestions regarding how to improve our ability to do that important work. I’ll be more than happy to answer any questions. Thank you.

**SHORT LINE RAILROAD CUSTOMERS TALK ABOUT SHORT LINE SERVICE**

**Dana Shellberg**, of Allweather Wood LLC, in Loveland, CO  
A customer of the Great Western Railway of Colorado  
“Without the Great Western Railway of Colorado we would have to truck all our lumber in from Oregon, Washington, Alabama, and Arkansas. This would not allow us to stay competitive in the lumber market.”

**Robert Glezen**, of Mont Eagle Mills, Inc., in Oblong and Palestine, IL  
A customer of the Indiana Rail Road  
“Short line railroads are an increasingly important piece of our Nation’s infrastructure. Our business depends upon the Indiana Rail Road to serve the agricultural base of southeastern Illinois.”

**David Doti**, of Jadcore, LLC, in Terra Haute, IN  
A customer of the Indiana Rail Road  
“The Indiana Rail Road is our only connection to the main line. All of the other carriers have either merged or are out of business. The plastics industry relies on the railroad for its delivery of finished products all over the country.”

**Daniel Semsak**, of Pacific Woodtech Corporation, in Saginaw, MI  
A customer of the Lake State Railway  
“We depend on short lines to get into our customers’ facilities. Rail access is essential for our company and our customers to be able to grow. As the Class 1 railroads have focused more and more on unit trains for inefficiencies, small business has relied on short lines for survival. We need the short lines for the “last mile”.”

**Daniel Semsak**, of Pacific Woodtech Corporation, in Saginaw, MI  
A customer of the Lake State Railway  
“We depend on short lines to get into our customers’ facilities. Rail access is essential for our company and our customers to be able to grow. As the Class 1 railroads have focused more and more on unit trains for inefficiencies, small business has relied on short lines for survival. We need the short lines for the “last mile”.”

**Brian Arnhalt**, of Minn-Kota Ag Products, in Breckenridge, MN  
A customer of the Red River Valley & Western Railroad  
“Our rail service from the Red River Valley & Western Railroad is outstanding. The personalized attention to our customer needs is a big help in the success of our business.”

**Curt Warfel**, of Akzo Nobel, Inc., in Columbus, MS  
A customer of the Alabama and Gulf Coast Railway  
“Akzo Nobel has long been supportive of the short line railroad tax credit. We see this as an excellent way in which short line railroads may “stretch” a dollar to upgrade their railroads and improve service to rail shippers.”

**Chuck Hunter**, of PSC Metals, Inc., in St. Louis, MO  
A customer of the Terminal Railroad Association of St. Louis  
“The six short lines that serve our facilities have and will play a vital role in the growth of our company. They have worked with us to add rail service to several of our facilities, issued rates to incent rail service -vs-truck. Their local presence and willingness to partnership in problem solving has been a blessing. These service providers are an essential part of our continued success in the North American marketplace.”

**Levi Ross**, of Dead River Company, in North Walpole, NH  
A customer of the Green Mountain Railroad  
“Our retail petroleum business is dependent on the service of short lines for a dependable regional supply chain.”

**Jason Tininenko**, of Freeport McMoRan, in Hurley, NM  
A customer of the Southwestern Railway  
“There are several short line railroads that are integral to our business. They provide a consistent, cost effective option for us to move large volumes of freight both to and from our mining locations.”

**Mike Sawyer**, of Western Producers Cooperative, in Dill City, Rocky, and Sentinel, OK  
A customer of Farmrail  
“Our livelihood depends on railroads shipping our grain. Farmrail does a great job in taking care of our needs. We need their services!”
Steve Stivala, of MacMillan-Piper, in Tacoma, WA
A customer of Tacoma Rail

“Tacoma Rail is an integral part of our business and overall operation in Tacoma. The short line railroad provides us with consistent and reliable service on a daily basis. By meeting our needs and requirements, we are better able to serve our customers. This would not be possible without the assist from Tacoma Rail.”

Maurice Bohrer, of Michels Materials, in Janesville and Waterloo, WI
A customer of the Wisconsin & Southern Railroad

“Our short line and regional railroad, the Wisconsin & Southern Railroad, is the only railroad that provides service to our black granite quarry and without them we would not be able to sell our granite to many of our customers and the other railroads that use our ballast!”

Senator Fischer. Thank you, Mr. Baker.

Next, we have Dr. Noel Hacegaba, who is the Deputy Executive Director of the Port of Long Beach (appearing on behalf of the Intermodal Association of North America/IANA).

Welcome.

STATEMENT OF DR. NOEL HACEGABA, DEPUTY EXECUTIVE DIRECTOR, PORT OF LONG BEACH, ON BEHALF OF THE INTERMODAL ASSOCIATION OF NORTH AMERICA

Dr. HACEGABA. Thank you, Chairwoman Fischer, Ranking Member Duckworth, and Members of the Subcommittee.

Thank you for the opportunity to comment on the intermodal freight transportation system.

My name is Dr. Noel Hacegaba. I serve as Deputy Executive Director, responsible for Administration and Operations at the Port of Long Beach, but today I’m here on behalf of IANA, the Intermodal Association of North America, where I serve as a member of its Board of Directors and also chair its Policy Committee.

IANA is the only organization in the country that represents the combined interests of the intermodal freight transportation industry, the backbone of the American economy.

We appreciate your ongoing dedication and efforts to prioritize freight infrastructure investment.

I have the privilege of working at the Nation’s second busiest seaport, which is a major gateway for U.S.-Asia trade. To be successful, ports, like Long Beach, collaborate with five Class I railroads, 46 shipping lines, 7,000 trucking companies, and over 10,000 third party logistics providers.

The intermodal freight industry is a good example of what we call coopetition, where we have competing companies coming together to provide cargo transportation services.

In 2018, intermodal volumes increased 5.6 percent over 2017, boosted by Chinese imports pulled forward to avoid tariff increases. As cargo volumes continue to grow, investments in intermodal connectors have to be a part of the solution to improve cargo efficiency and freight infrastructure.

The use of on-dock rail will also help us to reduce congestion and maintain freight velocity in the intermodal network. That’s why the Port of Long Beach is investing over a billion dollars to improve its on-dock rail capacity, and Federal funding helps to support these kinds of projects that benefit America’s intermodal network.

For example, the Port, back in 2011, received $17 million in TIGER grant funds for a green port rail gateway project, and ports
like Long Beach will continue to apply for INFRA and BUILD grants that support improvements in intermodal rail efficiency.

Significant Federal investments are needed to improve the flow of freight through intermodal connectors. U.S. businesses spend an additional $27 billion each year in extra transportation costs due to congestion and outdated facilities, and the total cost to meet freight infrastructure needs in America is estimated at $3.7 trillion.

New capital investment in freight transportation infrastructure will lead to improved velocity, enhanced global competitiveness, and a higher standard of living for Americans.

Integrated planning and funding that addresses the IANA needs of freight movements will be critical to improving the Nation’s infrastructure system. The FAST Act’s discretionary grant programs, like BUILD, CRISI, and INFRA, have provided much-needed opportunities to fund freight-related projects, and innovative financing options, like TFIA, were instrumental in helping to finance the $1.4 billion replacement of the Gerald Desmond Bridge in Long Beach, which we call the “bridge to everywhere” because it carries 15 percent of the Nation’s cargo each day.

IANA recommends that the Committee continue to support the development of a comprehensive freight policy that addresses funding for and improvements to the Nation’s bridge, roadways, and rail infrastructure. This should include removal of the $50 million cap on freight funding.

IANA and the Port of Long Beach also support fully funding freight provisions and opportunities for U.S. seaports to apply for formula and comparative multimodal freight grants. In particular, IANA strongly recommends that the Committee develop dedicated funding for intermodal freight connectors, fund additional freight rail infrastructure, such as on-dock facilities, allow for enhanced public-private partnerships that can improve funding opportunities for America’s freight infrastructure, support fuel tax increases to fund freight infrastructure projects, and form a multimodal freight office within the Department of Transportation that would report to the Secretary of Transportation.

IANA further supports permitting reform to reduce timelines for intermodal infrastructure projects.

IANA and its members are strong supporters of leveraging technology investments and innovation to enable and enhance information-sharing across the intermodal supply chain. Improving information-sharing throughout the supply chain will also help to improve system efficiencies.

As an example, the Port of Long Beach recently collaborated with the Port of Los Angeles and General Electric Transportation to conduct a pilot demonstration of a port information portal, known as the Port Optimizer, which has the potential to enhance supply chain performance and predictability by delivering real-time data-driven insights through a single portal.

This advanced visibility could benefit the entire intermodal supply chain and it comes at a critical time as we face increased competition from ports in Canada and Mexico where the respective governments have developed national strategies and the freight
stakeholders there are aggressively working to attract more cargo moving to and from U.S. markets.

I wish to conclude by thanking you again for the opportunity to discuss critical industry trends, freight project funding opportunities, and recommendations regarding the U.S. intermodal freight system.

We stand ready to work with you, members of the Committee and its staff, to develop innovative legislative, policy, funding, and infrastructure development solutions to improve the Nation’s intermodal system.

Thank you.

[The prepared statement of Dr. Hacegaba follows:]

PREPARED STATEMENT OF DR. NOEL HACEGABA, DEPUTY EXECUTIVE DIRECTOR, PORT OF LONG BEACH, ON BEHALF OF THE INTERMODAL ASSOCIATION OF NORTH AMERICA

Introduction

Thank you, Chairman Fischer and members of the Subcommittee on Transportation and Safety for the opportunity to speak on the subject of intermodal stakeholders across the transportation system. My name is Dr. Noel Hacegaba and I am the Deputy Executive Director responsible for administration and operations at the Port of Long Beach. Since joining the Port in 2010, I have also served as Managing Director of Commercial Operations and Chief Commercial Officer and successfully managed the Port’s commercial activities during a period of significant industry realignment and collaborated with customers and industry partners to optimize the supply chain. I also led the swift recovery of our largest container terminal operation when it was impacted by the biggest bankruptcy in shipping line industry history.

I am here today on behalf of the Intermodal Association of North America (IANA), where I serve as a member of its Board of Directors and chair of its Policy Committee. IANA consists of more than 1,000 corporate members including railroads, ocean carriers, ports, intermodal trucking companies, over-the-road highway carriers, third-party logistics companies and suppliers to the industry.

As a significant player in the effort to improve the efficiency of goods movement, IANA is the only organization that represents the combined interests of the intermodal freight transportation industry. IANA’s mission has been to promote the growth of efficient intermodal freight transportation through innovation, education and dialogue.

Background

I have the distinct privilege of working at the second busiest seaport in the United States, which serves as a major gateway for U.S.-Asia trade. The Port of Long Beach is an innovative provider of state-of-the-art seaport facilities and services that enhance economic vitality, supports jobs and improves the quality of life and the environment. As a major national economic force, the Port supports more than 51,000 jobs in Long Beach, 576,000 jobs throughout Southern California and 2.6 million jobs across the United States. In 2018, the Port of Long Beach moved more than 8.1 million twenty-foot equivalent units (TEUs) of cargo, also known as containers. Cargo moving through the Port of Long Beach accounts for nearly 33 percent of the containers moving through U.S. West Coast ports, and nearly 1 in 5 moving through all U.S. seaports.

Combined with our neighbor, the Port of Los Angeles, both ports comprise the San Pedro Bay, the busiest Port complex in the Nation and the ninth-busiest in the world. Together, the two ports moved $400 billion in containerized trade, representing more than 17 million TEUs in 2018. This includes almost 40 percent of the Nation’s imported cargo. A 2011 report commissioned by both ports and the Alameda Corridor Transportation Authority found that cargo moving through the San Pedro Bay Port Complex made its way to every Congressional district in the continental United States. As a result of the cargo volume moved through this complex and transportation-related activities, it is critical to invest in intermodal connectors that move cargo more efficiently.

The Port cannot do this work alone. For us to be successful, it requires working collaboratively with shippers, steamship lines, railroads, trucking companies and logistics providers. Intermodal by its nature is complex, and it requires all stakeholders to work together to move freight in an efficient and timely manner.
Intermodal Transportation Overview

Currently, the intermodal industry in the U.S. includes five Class 1 railroads, 46 shipping lines, more than 7,000 trucking companies and over 10,000 third-party logistics companies. In 2018, intermodal volumes increased 5.6 percent over 2017—the strongest growth in five years. By segment, import container traffic increased 5.4 percent while domestic container traffic increased 4.9 percent. This growth is attributed, in part, to the decision by shippers to advance the movement of imports from China in an effort to avoid tariff increases.

There are 1,274 intermodal facilities and 185 seaports in the United States that handle import and export cargo. Of note, a Port complex like the San Pedro Bay has multiple marine terminals in operation that work directly with the shipping lines, Class 1 railroads, trucking companies and distribution centers. The advent of “mega-ships,” some that carry as many as 18,000 TEUs, has put more stress on intermodal terminals, roadways, bridges and rail infrastructure. Increased cargo volumes off-loaded at marine terminals in many port complexes have created backlogs of containers, which has led many ports to look at ways to improve efficiency and freight infrastructure. Similar circumstances arose in 2018 at inland intermodal facilities.

Increasing the reliability of delivery and developing smooth pathways for the movement of goods to the continued growth of the U.S. economy is important. Investment in intermodal connectors—the links that facilitate the transfer of freight between modes—is a major part of the solution to congestion. The use of on-dock and near-dock rail is also an important transportation option used to alleviate port congestion and maintain freight velocity on the intermodal network. On-dock rail is the ability of terminal operators to place containers onto rail at the terminal site, while near-dock rail allows for cargo to be moved to adjacent locations and placed on rail for transportation to inland ports. Both on-dock and near-dock rail have helped to significantly reduce terminal congestion and also to alleviate emissions from trucks.

Currently, the Port of Long Beach is investing over $1 billion to improve on-dock rail capacity, making it a top priority as we pursue a goal of moving 25 percent of all cargo by rail. Planning and designs are underway for the Pier B On-Dock Rail Support Facility, which aims to reconfigure, expand and enhance an existing rail yard. Specifically, this project will remove rail bottlenecks in the Port and create a rail hub between the Port of Long Beach and the Alameda Corridor, which serves rail access to the region and across the Nation. The project will allow trains up to 10,000 feet long to be loaded and unloaded at on-dock rail yards at marine terminals to streamline rail operations, ease roadway traffic congestion and improve air quality as cargo volume grows.

In 2011, the Port of Long Beach received a $17 million grant from the Transportation Investment Generating Economic Recovery (TIGER) fund for the Green Port Rail Gateway rail enhancement project. This project enabled us to add a third rail line, helping to remove bottlenecks on the existing mainline track to allow Port terminals to shift cargo from trucks to trains, which decreased local traffic congestion and air pollution. It also included the demolition and removal of existing tracks, laying of 29,000 feet of new tracks and building of 6,000 feet of retaining walls. These improvements help to minimize derailments and optimize rail traffic flow. This nationally significant project created 340 construction jobs and will allow the Port of Long Beach to better achieve its goal of increasing on-dock rail use. The ability of U.S. seaports, like Long Beach, and other stakeholders in the intermodal supply chain, to improve the flow of freight through intermodal connectors and to handle current and future trade volumes, will depend on significant Federal infrastructure investments.

Transportation Funding Needs

Freight transportation is the backbone of the American economy. The increasing volume of goods moving through U.S. ports and throughout the intermodal freight network each year creates additional strains on the supply chain. It is estimated that U.S. businesses pay $27 billion each year in extra freight costs due to congestion and outdated facilities. It is also estimated that it will cost $3.7 trillion in order to meet all of the infrastructure needs of the freight supply chain. New capital investment in freight transportation infrastructure will lead to significant benefits including higher productivity, improved freight velocity, enhanced global competitiveness and a higher standard of living for the citizens of our Nation.

The Port of Long Beach is in the midst of a 10-year, $4 billion capital improvement plan (CIP), the most comprehensive modernization program at any port in the U.S. The Port of Long Beach has committed nearly $700 million to the CIP, which comprises 71 percent of the total $982 million budget. The road im-
terminal truck appointment systems. Such systems allow the sharing of information and, ultimately, port operations is the pairing of pre-on operations—enabling maximum port cargo flow and delivery performance. 

Optimizer is a cloud-based software program that has the potential to enhance supply chain performance and predictability by delivering real-time data-driven insights. As an example of this, the Port of Long Beach recently collaborated with GE Transportation to conduct a pilot demonstration of its portal information system. This portal is a cloud-based software program that has the potential to improve intermodal freight funding in the next Federal transportation reauthorization legislation. Such a cap limits the ability to fund significant intermodal projects at the levels that are needed. In addition, IANA, as well as the Port of Long Beach, support fully funding freight provisions and opportunities for U.S. seaports to apply for formula and competitive multimodal freight grants.

In particular, IANA strongly recommends the following items to improve the intermodal freight transportation system: developing dedicated funding for intermodal freight connectors; building additional freight rail infrastructure; fuel tax increases to fund freight projects; enhancing public/private partnerships that improve and expand infrastructure; and the formation of a multimodal freight office that would report to the Secretary of Transportation.

We believe that if Congress takes action on the above items, it will help demonstrate to the freight industry that our government understands and supports the important role freight plays in our economy and our global competitiveness. We also believe it will send an important message to the private sector to enable additional capital investment to seed further enhancements to the intermodal network.

Information Sharing

In addition to Federal investments in the national intermodal transportation system, improving information sharing throughout the supply chain will help to improve system productivity and efficiencies. IANA and its members have been a strong supporter of leveraging technology investments and innovation to enable and enhance information sharing among all stakeholders in the intermodal supply chain. As an example of this, the Port of Long Beach recently collaborated with GE Transportation to conduct a pilot demonstration of its port information portal. This portal is a cloud-based software program that has the potential to improve information sharing and, ultimately, port operations is the pairing of predictive analytics with terminal truck appointment systems. Such systems allow
truckling companies to schedule appointments for container pick-up up to five days before a ship arrives at the terminal. This advanced visibility enables terminals and trucking companies to optimize their operations. The goal of these programs is to increase supply chain performance.

**Trade and Tariffs**

The intermodal supply chain delivers vital goods and services to consumers, creates millions of jobs and supports national economic growth. By volume, 99 percent of U.S.-overseas cargo travels via seaports. The Trans-Pacific Trade route, of which Long Beach is a vital part of, is the most significant trade route in the United States.

U.S. seaports are facing increased competition from Canada and Mexico, which have each developed effective national strategies to serve America’s heartland. Freight stakeholders in Canada and Mexico are aggressively working with their governments to attract more cargo moving to and from U.S. markets. Additionally, Canada has a multijurisdictional freight partnership with significant Federal funding committed to addressing the competitiveness of two ports on each coast. Significant investments must be made in ports and across the intermodal network to rehabilitate constrained and dilapidated infrastructure and also implement environmental improvements. We need to have a national freight strategy and also work more collaboratively with our neighbors to the north and south to ensure we have a seamless freight system that effectively services the needs of the citizens of all three countries.

Investing in the Nation’s freight transportation infrastructure is critical to increasing trade through America’s major gateways. Multimodal freight investments must be a key priority to improve landside connections to seaports and enhance global competitiveness.

Increased funding for infrastructure projects, including intermodal facilities, will provide intermodal stakeholders and their customers with the speed, reliability and reduced costs they need to succeed and keep U.S. jobs. Trade and tariff policies that maintain U.S. competitiveness in the global economy, as well as legislation and regulatory efforts that will increase exports and promote trade, will be key to improving the Nation’s intermodal system.

With respect to tariffs, while affecting a relatively small share of trade, they have the potential to disrupt supply chains, investment and employment, particularly in Southern California and other ports where the goods movement industry is a vital part of the local and regional economy.

**Conclusion**

IANA thanks the Committee for the opportunity to share information about critical industry trends, Federal funding opportunities, information sharing technologies and recommendations regarding the U.S. intermodal freight industry. A highly functioning freight system requires modes to work together seamlessly. IANA and its members, like the Port of Long Beach, stand ready to work with members of the Committee and its staff to develop innovative legislative, policy, funding, and infrastructure development solutions to improve the Nation’s intermodal system.

Senator FISCHER. Thank you, Doctor.

Our next panelist is Ms. Donna Lemm, who’s the Executive Vice President of IMC Companies, representing the Agriculture Transportation Coalition.

Welcome.

STATEMENT OF DONNA LEMM, ADVISORY BOARD MEMBER, AGRICULTURE TRANSPORTATION COALITION; AND EXECUTIVE VICE PRESIDENT, IMC COMPANIES, INC.

Ms. Lemm. Chairman Fischer, Ranking Member Duckworth, and Members of the Subcommittee, thank you for holding this very important hearing.

I’m honored to speak on behalf of the members of Agriculture Transportation Coalition, our Nation’s farmers, processors, manufacturers of agriculture and forest products.

I come before you today representing our very hard-working members. I’m humbled to speak because no one understands better
the importance of this vital economic engine more than you do as a cattle rancher living and breathing a sector that is so vital to feeding America and the world.

As you well know, Ag and forest products constitute the largest segment of our country’s exports. It’s essential at the onset of this testimony to just reiterate the daily threat of global competitive sourcing that confronts all your agriculture and forest product constituents.

There’s nothing that we produce here in agriculture and forest product shipments that cannot be sourced elsewhere in the world. If we cannot deliver affordably and dependably to our customers in Asia and Europe and around the world, someone else will, and getting those customers back is nearly impossible.

All over the country, we’re faced with bottlenecks, delays, and handcuffs in our ability to execute within the supply chain. Surging imports, as you referenced, have clogged our ports and in turn the trains and the tidal wave has moved inland.

Motor carriers, already short on drivers, sit idle waiting for those containers to become available. In sum, our entire international and domestic transportation supply chain fails. Our producers have to store or even destroy their production and obviously lose the sales that they’re so dependent on.

U.S. Ag and forest products are produced all over the country and often the sourcing of the containers is far from where these products are produced. The very first challenge is to have adequate supply containers to move our goods. Our refrigerated shippers, our beef and our poultry shippers suffer from adequate supply of refrigerated equipment. In turn, our non-refrigerated Ag shippers often move in rail cars directly to the ports or to inland hubs where they have access to equipment.

Today, in our peak season, where we live in Memphis, Tennessee, shipping cotton, we’re already seeing tightening of equipment, Memphis, Dallas, and here, there are shortages of equipment in Chicago, as well.

To compound the challenge of marine container equipment supply, we have another piece of equipment vital to moving ag exports that’s critically short not only in supply but in quality, in safety, fair access, and accountability, and that is the chassis.

The chassis, that metal frame and wheels upon which the container is mounted for movement over the road. The problem was so critical in Memphis that we came together to form a Memphis Innovation Supply Chain Team.

We asked Commissioner Dye of the Federal Maritime Commission because of her success with her national team to please lead our team and in turn we’re happy to share that we have great collaboration with all segments, our railroads, our ocean carriers, and our shippers, and we’re seeking and appealing to these chassis providers to please understand our need for a single grade pool.

We also suffer from rail congestion and scheduling issues. We have rail cutoffs and schedules that are missing and in turn as our exports enter our rail terminals, we’re being rejected because of the congestion. We’re being turned around.

We’ve asked to appeal to you for appointment system to look at it because often there are not enough appointments to meet the
surges of exports that we have and we're not meeting our vessel cutoff if we cannot meet our rail cutoff.

The agriculture sector certainly has felt the driver shortage and AgTC members are very grateful for the FMC support, flexibility, for sensitive Ag shippers and hours of service exceptions within a 150-mile air radius.

We're currently faced with new ocean carrier street turns, not all ocean carriers but some, charging fees as we try to street turn and what that means is we take an import container that's been emptied and try to utilize the equipment right away on the street.

These fees are counterproductive and we appeal to you to help us in our opposition.

Port congestion, as we stated at the onset, very challenging for our exports to enter the terminals. We have very narrow windows. We're asked now to bring in those containers when those vessels are working. We don't know when they're working. In turn, we're missing windows and missing sales.

Thank you for allowing me just to share with you a glimpse of what we face every day. We seek your assistance in creating more opportunities to collaborate in this multimodal network that we navigate through to export our products that feed the world.

Thank you.

[The prepared statement of Ms. Lemm follows:]

PREPARED STATEMENT OF DONNA LEMM, ADVISORY BOARD MEMBER, AGRICULTURE TRANSPORTATION COALITION; AND EXECUTIVE VP, IMC COMPANIES, INC.

Chairman Fischer, Ranking Member Duckworth, and members of this Subcommittee, thank you for holding this important hearing.

I am honored to speak on behalf of the members of the Agriculture Transportation Coalition: our Nation's farmers, processors, manufacturers of agriculture and forest products. I come before you today representing our hard working members. I am humbled to speak because no one understands better the importance of this vital economic engine more than you do, as a cattle rancher, living and breathing a sector that feeds America and the world.

As you well know, agriculture and forest products constitute the largest segment of our country's exports. The Agriculture Transportation Coalition (AgTC) has, for 31 years, pursued an efficient, dependable and affordable transportation supply chain required to keep our exports competitive in the global marketplace. Today, I will discuss some of the most pressing transportation challenges facing agriculture and forest products exporters today.

It is essential to emphasize the daily threat of global competitive sourcing confronting all your agriculture and forest products constituents:

- There is nothing that we produce in agriculture and forest products in this country, that cannot be sourced somewhere else in the world. What is produced in Nebraska and Illinois, for example, Brazil, Australia, Argentina, Canada and Mexico are more than eager to supply.
- When we cannot deliver, affordably and dependably, to our customers in Asia, Europe and around the world, those customers will find alternative sources.
- When our foreign customers go elsewhere, and establish new sources and new supply chains, it is incredibly difficult to get those customers back.

Today's hearing is timely, and appropriate, because the transportation challenges we have today are indeed threatening our ability to get our Agriculture and forest products to market.

At the outset, I would like to clarify—most of the agriculture and forest products exported from this country are moving in intermodal containers. Our overseas customers of U.S. agriculture and forest products demand that we deliver agriculture in containers, and that our exports arrive frequently, in manageable volumes, and in good condition—necessitating containerized shipping. This includes all refrigerated goods, such as beef, pork, poultry, fresh fruit and vegetables, eggs, dairy, etc.
moving in refrigerated containers; meanwhile, virtually all of the cotton, lumber, almonds, paper, specialty grains and top grade soybeans, hay, rice, etc. are transported in "dry" containers. Traditional 'bulk' cargoes have increasingly migrated to containerized shipping. The Class 1 railroads are moving hundreds of thousands of these intermodal containers of our agriculture exports, from inland points, to our seaports on the East, Gulf and West Coasts. AgTC members are loading hundreds of containers each week at rail ramps throughout the country, including in Nebraska and Illinois.

All over the country we are faced with bottlenecks, delays and handcuffs in our ability to execute within the supply chain. Surging imports have clogged our ports and in turn the trains moving inland have containers stockpiled. Motor carriers, already short on driver's sit idle waiting and waiting for availability of containers. In sum, our entire international and domestic transportation supply chain fails. Our producers have to store or even destroy their production, and obviously lose the sales they depend upon.

This hearing is timely, please allow me to highlight as we move across the supply chain from start to finish. Our system has gaps that are causing huge challenges that may be visible as we peel this back looking at the movement of agriculture and forest product exports in containers from origin to our rails and then to our marine terminal gateways. There is a real need for a solution that will protect U.S. agriculture and forest product shipments from falling deep into 6 challenging areas in the system which are currently hindering export execution.

1. Container shortages

U.S. agriculture and forest products are produced all over the country and often the sourcing of containers is far from where our products are produced. The first challenge is to have adequate supply of containers to move our goods. Our refrigerated agriculture exporters of beef and poultry often suffer from inadequate supply and availability of refrigerated containers. For our non-refrigerated agriculture products many of our members will move by rail to transload facilities that can accommodate large access to containers. Where are the containers? We depend on availability at ports and our inland hubs like Chicago, Memphis, Dallas and Kansas City. We send agriculture and forest products in rail cars to transloading centers near our Nation's major ports. From the mid part of the country moving often east to Charleston, Savannah, Norfolk. For our fruit and nuts shippers depending on our ports for supply of empty containers in Los Angeles and Long Beach, Oakland, Seattle. Our cotton and forest product exports looking for sourcing of containers in the interior in Dallas and Memphis where supply is already short. Looking to the Gulf ports like Houston, New Orleans and Mobile for sourcing of containers that have to compete with resin shipments for supply of standard marine containers. Containers is already tight in our inland locations like Chicago, Memphis and Dallas where we are moving from fall harvesting into peak shipping season which is right now.

2. Chassis shortages and the need for quality/roadworthy equipment, accountability and fair access to chassis

To compound the challenge of marine container equipment supply, we have another piece of equipment vital to moving ag exports and that is critically short not only in supply, but in quality and safety, fair access and accountability and that is the chassis. (The chassis is the metal frame and wheels upon which the container is mounted for movement over the road). The challenge of chassis supply and fair access to chassis on merchant haulage moves have reached headlines across the US. It is important to note that there currently is no consistent way for chassis providers to forecast for United States Agricultural exports; most forecasting for chassis provisioning is done for imports only. Until a decade or so ago, chassis in the United States were directly provided by the containership operators, with a clear accountability. For a number of complicated reasons, including regulatory changes, the emergence of operator alliances and space-sharing agreements, plus the financial stresses of the Great Recession combined with emergence of private equity capital seeking infrastructure-related opportunities, the operators sold off most of their chassis assets to three outside firms that now own the vast majority of the Nation's chassis fleet. As a result, chassis are now controlled and managed by these outside entities where there is no overall accountability for provision of adequate quality and quantity of chassis, and short-term commercial pressures might outweigh the necessity of ensuring supply chain fluidity.

Please allow me to give you an example of the impact of lack of chassis to the cotton market in Memphis. In the first quarter of 2018 agriculture exports in Memphis came to a screeching halt. In early February of 2018 there were 3 chassis avail-
able and in good working order, according to chassis providers’ reports, to serve a market moving over thousands of agriculture exports a week. At the same time our importers were grounded and piled high at our rails due to this chassis shortage and compounded by weather. We had had enough and our team of agriculture and forest product shippers, reached out to other stakeholders to try and peel back what really was at the center of our standstill. The Memphis Supply Chain Innovation team was formed, this is the first regional team of stakeholders that came together to bring stakeholders together to find actionable resolve. The Federal Maritime Commission was hosting its Fact Finding 28 meeting in Memphis on detention and demurrage May 15, 2018 and the next day the team assembled to step out of their silos to look at the supply chain process in Memphis and what might be done to assist fluid commerce. The team comprised of Agricultural exporters, railroads, ocean carriers, importers and motor carriers agreed unanimously that the single most actionable solution was a single gray pool in Memphis for chassis. The team championed action for a single gray pool the following:

1. Interoperability which would immediately increase supply
2. Quality of chassis given the concern for safety, age of chassis and condition of chassis with so many in maintenance and repair status
3. Pool manager for accountability of chassis availability, supply and condition
4. Shipper Board that would assist in a continued voice for an operating chassis model that would offer resolve to the current broken chassis model.

This appeal was supported by 4 Major class I railroads, all OCEMA members, the Memphis Supply Chain Team, AgTC, ATA, Memphis Chamber of Commerce and today we will hear from Intermodal Equipment providers if they will indeed embrace the current solution proposed.

The experience in Memphis also gives us insight into how connected all stakeholders are and how important shared discussion, review, and accountability to foster commerce really is. The gap between railroads that count on ocean carriers to supply chassis, who in turn contract with chassis providers find shippers and motor carrier with no voice. We also see challenges with rail making decisions regarding capacity and frequency that should absolutely engage other stakeholders, including exporters.

3. Rail congestion and scheduling issues

Rail congestion impacts every agriculture and forest product exporter trying to ingate loaded exports into the rail terminal. Severe congestion is reported by our members in Chicago and Memphis at this time. There is often no room at the terminal and containers are being rejected at the gate. Motor carriers are forced to turn around. This congestion is the result of surging imports, lack of chassis availability which has been compounded by weather. Container grounding continues to occur in these major inland rail hubs and the result is rising costs of demurrage and detention paid by the shipper due to no fault of their own.

It is very important to AgTC members to have reliable rail cut-offs. Members are reporting that the situations at inland rail hubs are challenging with specific mention of the NS Memphis ramp. Rail cut-offs to tender export loads have been unreliable and impacting final missed delivery of cargo loading in Charleston and Savannah. Truckers have waited in line between 2-6 hours for various reasons—volume, congestion and ramp equipment breakdowns. Exporters cannot face these kind of delays per load and expect to meet inland cutoffs and overseas customer commitments.

Our agriculture and forest product members do struggle with appointment systems that often do not accommodate the volume of cargo that has been booked with ocean carriers. Several of our largest exporters have shared that the CSX and CN have no volume correlation to ocean carrier designated “Earliest Return Date” (ERD) and Intermodal Cutoff for specific bookings. There are “X” number of appointment times given out per day by the rail and when they are gone, truckers need to wait until the following day. As noted, the availability to day does not appear to be tied to actual bookings with specific shippers who have been provided specific ERD’s and cutoffs. This lack of alignment also threatens when loads can be picked up.

The net effect is exporters and the truckers they are working with are getting less loads per driver per day—reducing supply chain velocity and U.S. surety to meet export customer commitments complete and as committed = more shipments splits which has downline system impacts for the marine terminals, ocean carriers and vessels.
The western Class I’s—BNSF Railway and UP Marion have made significant infrastructure investments in Memphis; we need all rail providers to keep pace with the growth of intermodal volumes.

4. Motor Carrier: Driver Shortages, Hours of Service

The agriculture sector certainly has felt the driver shortage and AgTC members are grateful for the FMCSA’s support of flexibility for agriculture. Hours of Service exceptions within a 150 mile radius. 2018 was particularly painful with shippers scrambling to find drivers to move goods from sourcing locations all over the United States. It is said that over 50,000 new drivers are needed to serve the international and domestic markets. The AgTC membership has worked hard to find ways to accommodate the driver at warehouses, respecting the drivers time with loading and looking for ways to make the process more efficient. In the midst of the driver shortage, agriculture exporters struggle to compete with foreign sourcing, finding equipment, finding drivers. While there are various causes of the congestion and delay at our Nation’s gateways and rail ramps, much could be gained by harmonizing our allowable truck weights with the rest of the world, significantly reducing the number of trucks on the road, or waiting at rail ramps and marine terminals.

5. New Ocean Carrier “Street Turn” Fees challenge efficiency, cost and emission reduction for all stakeholders

A particularly counterproductive approach is several ocean carriers’ filings with the UIIA to impose fees for containers that are interchanged once import devanning has taken place. In other words these empty containers do not go back to their depots or to terminals, instead they are interchanged to move on to secure U.S. exports. This practice is known as street turns. Street turns enhance efficiencies, save trucking costs, reduce congestion and save emissions. This practice that helps all stakeholders save time and money now has ocean carriers imposing fees from $40 to $75 on “street turns”. We ask this Committee to assist in gaining ocean carrier rescission of this appalling action by these 4 ocean carriers.

The fees imposed on street turns injures all, including the carriers themselves, by adding to congestion and delay which already makes marine terminal operations and the entire supply chain one of our largest ports, the greatest challenge to the U.S. export/import supply chain. Penalizing street turns threatens one of the only measures available to shippers, carriers, terminals, truckers to address the unending congestion. All parties should be concerned about the detrimental impact on the environment, particularly in and around the vicinity of port complexes. At a time when ports are mandating green trucks and reduced emissions, this street turn fee is already increasing the number of trucks and emissions.

The Agriculture Transportation Coalition has offered to meet with these and other carriers to help them understand how the street turn penalty will impede cargo flow and increase costs and fuel emissions.

6. Port Congestion

Most marine terminals were designed and built to accommodate container ships that were a quarter the size of the largest container ships now carrying our Nation’s exports and imports. Today ships of 12,000-14,000 TEUs are calling our ports. Ocean carriers have consolidated their services to for alliances sharing space together on these mammoth ships. The ships aren’t the only requirements that are getting larger, more berthing space, larger cranes and the immediate issue of scalability is front and center. The entire supply chain is scrambling to catch up and in many cases failing to catch up. It begs to ask the question who is responsible for cramming this huge tonnage into the supply chain without fair planning or coordination by all stakeholders? For U.S. exporters this means less frequency of vessel calls, shorter scheduling windows to ship larger volumes and less choice of carrier options because of consolidation and alliances. Container volumes often get cut in half when loading because of capacity constraints and tonnage maximums on vessels. We have one member that is the second largest exporter in the country, who shared that his containers are being shut out and only allowed to load if a vessel is working.

The congestion at major maritime gateways is such that trucks are often idling for hours outside the marine terminal gates. Turn times once on the terminals are unacceptably long, caused frequently by an overload of containers discharged all at once from the massive ocean ships whose volumes far outstrip the capacity of terminals built for the previous generations of container ships. The congestion, combined with a shortage of available chassis, frequently results in the exporter or importer being unable to return an ocean carrier container to the terminal within the set amount of “free time” days set forth in the ocean shipping contract. Typically for
exporters this is five days. Sometimes even shorter. Rarely longer. The penalty for missing the “free time” limit can be $125-$175 per day. The marine terminal portion of this ranges from $9–$20, with the remainder being remitted to the ocean carrier. Most U.S. exporters have been subjected to these fees, with some exporters and their truckers, suffering literally millions of dollars of such fees. This is obviously a huge drain on the profitability of our exports which already, due to global competition, labor under razor-sharp margins.

We appreciate the Federal Maritime Commissioner Rebecca Dye’s initiatives to develop supply chain teams, including all stakeholders, to address fundamental causes and find solutions to the marine terminal congestion. Specific questions are being addressed, such as when, under an ocean shipping contract, a container is considered to be “tendered”, so that is actually available for the trucker to pick up from the terminal. These Supply Chain teams are determining how to address the congestion which exists nationwide, at inland points such as Memphis and Chicago, to the seaports at all coasts. Several members of the AgTC are active participants.

7. Preventing imposition of “Verified Gross Mass”—Thank you to this Committee, the U.S. Coast Guard and the FMC.

I would like to thank this Committee for your assistance in supporting the U.S. exporter. Three years ago the ocean carriers collectively announced an entirely new process by which the exporter would have to guarantee the accurate weight not only of our cargo (which we of course always have done), but also the weight of the ocean carrier’s own container! Called “Verified Gross Mass”, this would have imposed liability on exporters for information we don’t have, and cannot obtain. It would have required significant changes to the electronic interface for export documentation, leading to delays in some shipments, and missed sailings. Fortunately, the U.S. Coast Guard stepped forward, noting that since the 1990s all loaded containers have had to be weighed at the marine terminal before loading on the ships, that our marine terminals were in compliance, and that there does not exist a need for this additional “VGM” requirement. This Committee conducted a hearing on this subject, conveyed its concerns about the counterproductive VGM proposal. We thank you, the FMC and the Coast Guard for taking the initiative to protect the interests of the U.S. exporter. Since then ocean carriers have largely refrained from imposing it on U.S. exports, but from time to time, a carrier will attempt to require it. The AgTC continues to monitor and educate those carriers that VGM is not to be imposed. We will continue to bring to this Committee’s attention, the FMC, and the Coast Guard when a carrier attempts to impose a VGM requirement.

Summary

The Agriculture Transportation Coalition has shared with you the challenges at origin with equipment and chassis shortages, driver shortages and the heightened challenges given the systemic problems with rail and terminal congestion. We have given you a glimpse of what we face every day and we ask for your continued support in creating programs that support continuity throughout the intermodal network connecting marine, rail, motor carrier, intermodal equipment providers and shippers. We seek your assistance in creating more opportunities to collaborate in this multimodal network that we navigate through to export our products that feed the world. Our agriculture shippers supply chain interests must be protected and commerce must seek an integrated supply chain with visibility, accountability and productivity for all sectors that embraces the U.S. agriculture exporter.

Senator FISCHER. Thank you, Ms. Lemm.
Next, we have Mr. Joseph Szabo, the Executive Director of the Chicago Metropolitan Agency for Planning.
Welcome, sir.

STATEMENT OF JOSEPH SZABO, EXECUTIVE DIRECTOR, CHICAGO METROPOLITAN AGENCY FOR PLANNING; AND BOARD MEMBER, COALITION FOR AMERICA'S GATEWAYS AND TRADE CORRIDORS

Mr. Szabo. Well, thank you, Chairman Fischer, Ranking Member Duckworth, Members of the Subcommittee.
It’s an honor to be here to testify today. I’m here today on behalf of both the Chicago Metropolitan Agency for Planning, as we say
CMAP, and also the Coalition for America’s Gateways and Trade Corridors or CAGTC.

CMAP represents some 284 municipalities with eight and a half million residents located in the heart of North America’s freight hub, and CAGTC is a diverse coalition of more than 60 public and private organizations that are dedicated to increasing Federal investment in America’s multimodal freight infrastructure.

Investment in freight infrastructure is critical to the economy of our country. It’s fundamental that no economy that can ever grow any faster than its transportation network is going to carry it and so with FAST Act reauthorization around the corner, I urge you to include a robust freight program.

I applaud the Committee for prioritizing freight investment in the FAST Act and, you know, this was landmark legislation that really provided a down payment on our Nation’s infrastructure needs but so much more needs to be done.

We urgently need a strategic freight mobility program that prioritizes the current economic needs of our country while also planning for generations to come and without action, U.S. productivity and global competitiveness is going to suffer.

Years of underinvestment in our national transportation system have driven up the costs of doing business. As Dr. Hacegaba mentioned, U.S. companies are spending approximately $27 billion each year in extra freight transportation expenses due to congestion and ultimately it’s the public that pays the price.

And so the Federal role is key.

Many of the most complex freight improvements cross local and state boundaries and occur where multiple modes are coming together. And so these often require a partnership at the Federal level to untangle the chokepoints that burden our communities and slow commerce.

The BUILD and INFRA Programs remain essential. While BUILD is available to address a multitude of mobility issues of various sizes, INFRA is aimed at investing in those large-scale freight- and highway-specific infrastructure improvements.

So both of them fill very important niches, and they’ve leveraged a significant amount of non-Federal dollars. Sources other than BUILD and INFRA have provided 72 percent and 80 percent of funds for projects, respectively.

In my region, U.S. DOT awarded CREATE’s 75th Street Corridor Improvement Project $132 million through INFRA’s most recent round. And these funds will be matched with $342 million from the CREATE partners to pay for the first portion of the 75th Street Project to separate several freight and passenger rail lines, untangling one of the most significant bottlenecks in the country.

It’s key to the congestion issues, you know, that you were just speaking about that stem from Chicago and affect the entire national network.

And so to address the urgent freight needs and build on successes, CAGTC respectfully submits four recommendations.

First, we need a national strategy that guides long-term planning, a focus on multimodal freight should be established within U.S. DOT’s Office of the Secretary to guide policy and programming, emphasizing nationally significant projects.
Second, we need dedicated, sustainable, and flexible funding, and that flexibility is key, ensuring that it’s multimodal. The INFRA Program is over-subscribed. In the most recent round, INFRA saw $12 in requests for every $1 that was available, and given this level of over-subscription, we believe that $12 billion annually in multimodal freight investments through a competitive program is needed.

Congress should also eliminate the caps on non-highway spending under INFRA and the Freight Formula Program. Freight doesn’t move on highways alone and so we have to invest in the very best projects, bring the greatest results to the public, regardless of mode. Simply, where public benefit is derived, public investment should be made.

Third point, we need merit-based criteria that prioritizes projects with a demonstrable contribution to national freight efficiency. And oversight and transparency in the decisionmaking process is critical to the program’s integrity.

And finally, it’s key that we have a partnership with the private sector. Funding should leverage private participation and provide the largest possible toolbox of financing options.

And with that, I thank the Committee for the time and look forward to any questions.

[The prepared statement of Mr. Szabo follows:]

PREPARED STATEMENT OF JOSEPH SZABO, EXECUTIVE DIRECTOR, CHICAGO METROPOLITAN AGENCY FOR PLANNING; AND BOARD MEMBER, COALITION FOR AMERICA’S GATEWAYS AND TRADE CORRIDORS

Thank you for the opportunity to testify before the Senate Committee on Commerce, Science and Transportation’s Subcommittee on Transportation and Safety. As Congress considers the possibility of an infrastructure investment package and approaches the surface transportation bill’s reauthorization in 2020, I appreciate the Committee’s ongoing dedication to freight system investment.

Today I am representing both the Chicago Metropolitan Agency for Planning (CMAP) as well as the Coalition for America’s Gateways and Trade Corridors (“the Coalition”), a diverse coalition of more than 60 public and private organizations dedicated to increasing Federal investment in America’s multimodal freight infrastructure. I thank Chairman Fischer, Ranking Member Duckworth and Members of this Subcommittee for the opportunity to share my views.

CMAP is the regional planning organization for the northeastern Illinois counties of Cook, DuPage, Kane, Kendall, Lake, McHenry, and Will. We work to help communities prosper by addressing transportation, housing, economic development, open space, environment, and quality of life issues for our region through long-range planning. Our most recent plan, ON TO 2050, calls for bold steps toward a well-integrated, multimodal transportation system that seamlessly moves people and goods within and through metropolitan Chicago. To balance improving our economic advantage with improving quality of life, freight recommendations in the plan emphasize strategic investment in the freight network, improving local and regional truck travel, and mitigating the negative impacts of freight on adjacent communities.

The CMAP region plays a vital role in intermodal connectivity for the Nation. Approximately 16.4 million twenty-foot equivalent units (TEUs) of cargo moved through the region’s twenty rail-truck intermodal facilities in 2016, an increase of nearly 38 percent since 2009.¹ This represents more TEU lifts than the busiest seaports in the country. Chicago is also home to the regionally and nationally significant CREATE program, which includes 70 projects that aim to invest billions in critically needed capital improvements in our area’s rail infrastructure. Due to our critical location at the nexus of the North American railroad network, Chicago has been a national rail hub for almost 150 years, seeing nearly 500 freight trains pass

¹Chicago Metropolitan Agency for Planning, Intermodal Lifts. <https://www.cmap.illinois.gov/programs/regional-economicindicators/clusters#Intermodal_Lifts>
through the region every day. One-fourth of the Nation's freight rail traffic and nearly half of all intermodal trains pass through Chicago. But the rail lines, built over a century ago, were not built for the volumes nor the types of freight being carried—meaning Chicago is now the Nation's largest freight rail chokepoint.

Rail congestion, resulting in delays and unreliable transit times, can be exacerbated by market conditions and severe weather. Congestion in Chicago during 2014 caused lingering service disruptions for farmers across the Upper Midwest. Revenues decreased due to increased transportation and storage costs and losses caused by spoilage. Comprised of a partnership between the U.S. Department of Transportation, the State of Illinois, Cook County, the City of Chicago, Metra, Amtrak, and U.S. freight railroads, CREATE aims to address this bottleneck to increase the reliability and efficiency of the region's rail infrastructure. More than $1.6 billion has been spent or committed, with an estimated $2.8 billion needed to complete the full program. To date, Federal sources have provided 39 percent of spent and committed funds.

Freight transportation is America's economic engine and the ability to move goods safely, reliably and expeditiously keeps U.S. businesses competitive in the global marketplace and supports a higher standard of living for our population. I applaud Members of this Committee for prioritizing freight infrastructure investment under the Fixing America's Surface Transportation (FAST) Act. This landmark legislation made significant improvements to our freight policy and programming. It is a down payment on our Nation's infrastructure needs, but as you know, much more is needed to make up for years of underinvestment and prepare for growing demands. With lawmakers preparing for the FAST Act's reauthorization in 2020 as well as the potential of a large-scale infrastructure investment bill, I ask you to include a robust freight program as the hallmark of both approaches.

According to the Bureau of Transportation Statistics, "productivity growth in freight transportation has long been a driving force for the growth of U.S. overall productivity and contributed directly to the growth of U.S. GDP." The economic importance of freight infrastructure cannot be overstated. The United States' multimodal freight network directly supports 44 million jobs and impacts every American's quality of life. The system moves 55 million tons of goods daily, worth more than $49 billion. That's roughly 63 tons per person annually; meanwhile, the U.S. population is expected to increase by 70 million by 2045. Such population growth presents both challenges and opportunities: the U.S. Department of Transportation estimates that freight tonnage will increase by an average of 1.4 percent annually through 2045. To capitalize on a growing 21st century consumer base and workforce, our infrastructure network must be up for the task.

Unfortunately, years of underinvestment in our national transportation system have driven up the cost of doing business. U.S. companies spend around $27 billion annually in extra freight transportation expenses due to congestion, and the total cost of congestion is estimated at $1 trillion annually—roughly seven percent of U.S. economic output. Businesses are taking note. According to a study by the National Association of Manufacturers, 65 percent of their members surveyed do not believe that infrastructure, especially in their region, will be able to respond to the competitive demands of a growing economy over the next 10 to 15 years.

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9 Ibid.  
Infrastructure deficiency carries a cost, and it is not just businesses paying the price. According to TRIP, the average U.S. motorist is losing $599 in additional vehicle operating costs as a result of driving on infrastructure in need of repair.\textsuperscript{11} INRIX estimates that congestion costs the average U.S. driver $1,348 annually.\textsuperscript{12} By contrast, an often-cited solution is significantly less burdensome: an immediate 25-cent increase in the motor fuel tax would cost the average household $285 annually.\textsuperscript{13}

Public investment in our Nation’s multimodal freight infrastructure is chronically inadequate to meet the system’s demands. States and localities have made attempts to increase their infrastructure funding—since 1993, 39 states have raised their own gas taxes.\textsuperscript{14} However, states and localities cannot, and should not, shoulder the burden of nationally-significant freight movement alone. Embedded in the framework of our country, the Commerce Clause of the Constitution tasks the Federal government with making investments to support interstate commerce. 77 percent of U.S. freight crosses state lines, illustrating the need for a Federal role in freight planning and investment.\textsuperscript{15} At its peak, the Federal government provided 38 percent of public infrastructure funding but that number has fallen to just 25 percent in recent years.\textsuperscript{16} This places a strain on communities and local governments, many of whom have already raised their user fees and are therefore struggling to determine where to dig up additional funds.

While a variety of Federal funding solutions for transportation infrastructure have been contemplated by Congress and infrastructure advocates, our group has coalesced around a waybill fee dedicated to freight infrastructure improvements. A waybill fee assessed on the cost of surface transportation movements would not skew the market for services and would grow along with the demand for freight transportation. Freight infrastructure needs are significant and continue to grow; CAGTC remains committed to exploring solutions that will provide robust and dependable funding.

Many of freight infrastructure’s largest, most complex, and most desperately needed improvements cross local and state boundaries and occur where multiple modes come together. These instances often require a partnership at the Federal level to untangle chokepoints that burden our communities and slow commerce.

The annually-appropriated BUILD, formerly TIGER, competitive grant program is designed to fund capital investments in infrastructure projects across all modes, including both freight and mixed use infrastructure. The FAST Act created a much-needed competitive grant program designed to target investments in large freight and highway projects. The Nationally Significant Freight and Highway Projects Program, or INFRA program, contains criteria written into law that focus on goods movement infrastructure, and its goals include: increasing global economic competitiveness, improving connectivity between freight modes, reducing congestion and bottlenecks, and improving the safety, efficiency and reliability of the movement of freight and people. Both programs are essential: while BUILD is available to address a multitude of mobility issues of various sizes, INFRA is aimed at investing in large-scale, freight and highway-specific infrastructure improvements, both filling important niches.

According to a 2019 study by the Congressional Research Service, “discretionary grants may be more effective in providing large amounts of Federal funding for very costly freight-related projects, particularly those requiring interstate cooperation.”\textsuperscript{17} Competitive grant programs, such as INFRA and BUILD, assist in funding large-scale infrastructure projects, which often span modes and jurisdictional borders and...

\textsuperscript{13} U.S. Chamber of Commerce, Here’s What You Need to Know About the Gas Tax, April 2018 <https://www.uschamber.com/series/above-the-fold/heres-what-you-need-know-about-the-gas-tax>
are difficult, if not impossible, to fund through traditional distribution methods such as formula programs.

While formula programs invest through a standard 80 percent Federal to 20 percent non-federal match, competitive grant programs encourage states and localities to bring their best possible deal to the table, driving innovative and creative funding and financing arrangements. Over the 10 rounds of the TIGER/BUILD programs, $3,577,140,879 has been awarded to projects with a freight component, yielding a total investment of $12,685,024,323, meaning sources other than the BUILD program provided 72 percent of funds.

Similarly, in the INFRA grant program’s three rounds, USDOT awarded $2,057,899,933 to projects with a strong freight component. Those monies combined with funds from various other sources to result in $10,072,983,957 in total project investments—meaning 79.6 percent of funds came from sources other than the INFRA grant program.

In my region, USDOT awarded CREATE’s 75th Street Corridor Improvement Project $132 million through the INFRA program’s most recent funding round. The funds will combine with $342 million from other CREATE partners to pay for the first portion of this project to separate several freight and passenger rail lines in the 75th Street Corridor—improving reliability and travel time for more than 200 freight trains, 30 Metra commuter trains, and 10 Amtrak trains daily. While benefits will begin to accrue upon completion of the first portion, $474 million represents less than half the funds needed to complete both portions of the project. Completion of the full project will reduce rail and roadway congestion resulting in an anticipated $3.8 billion of economic benefits.

The INFRA program’s ability to leverage the Federal dollar is impressive, but a small Federal ask, or likewise, a significant private contribution should not be the primary considerations when deciding to fund a project. Perhaps more important are project outcomes—we must consider the regional and national benefits of a project, not just the source of the matching funds. Projects should first be evaluated on their ability to meet the program’s goals, based on measurable and objective criteria defined by Congress. Just because a project requires less Federal investment, it does not mean it is the most valuable investment for the Nation.

Complementary to the INFRA competitive grant program is the FAST Act’s freight formula program, which allows state departments of transportation to target freight system improvements, like first and last mile connectors. Some states, such as California and Illinois, have distributed the Federal freight dollars through a state-level competitive program. In Illinois, the program is funding 23 important projects statewide, including $50 million for a CREATE grade separation in Chicago that will improve safety and alleviate motorist delay at a “911 Crossing” deemed critical for emergency services to access communities in the area. In order to increase the flexibility afforded to state departments of transportation, we encourage Congress to eliminate the cap on non-highway projects, currently set at 10 percent of total funds, so each state can invest in its most pressing supply chain needs, regardless of mode. It should be noted, that even administered as a state-level competitive grant program, the formula program is not a replacement for INFRA or BUILD, which fund nationally and regionally significant projects that frequently span multiple states and jurisdictions. As stated previously, such freight projects require a federally-administered competitive approach.

Recommendations

We need a strategic freight mobility program that prioritizes the current economic needs of our country while planning for generations to come. This campaign of strategic investment should expand capacity and increase efficiency, regardless of mode or political jurisdiction. Without such a campaign, U.S. productivity and global competitiveness will suffer.

To address these needs, we respectfully recommend that Congress:

Develop a national strategy that guides long-term planning: We need a national “vision” and strategy to shape and guide our freight infrastructure needs. Such a strategy should have active coordination among states, regions, and localities and should endeavor to anticipate freight needs extending over multiple decades to allow for a smooth path for free-flowing freight both today and into the future.

An office of multimodal freight should be established within the U.S. Department of Transportation’s Office of the Secretary to guide freight mobility policy and programming with a particular focus on projects of national significance that aid in the movement of commerce. Because the movement of goods spans different modes of infrastructure, specialized knowledge at the Federal level is essential. An office of multimodal freight will allow experts in the unique operational and economic needs of each mode to work together to make the best investments in our system. Addi-
tionally, this investment strategy should include innovative and flexible approaches to structuring Federal financial assistance in a manner that encourages private sector investment.

Provide sufficient levels of funding that are dedicated, sustainable, and flexible: An investment program dedicated to multimodal freight infrastructure is necessary to ensure that public agencies can invest in their most critical goods movement needs—regardless of mode. Federal funding should incentivize and reward state and local investment and leverage the widest array of public and private financing. Funding should be based on revenue sources that are predictable, dedicated and sustained. Because they are the primary beneficiaries of any system improvements, owners of goods should be part of the revenue user-base.

Existing programs available to freight infrastructure, like the INFRA competitive grant program, are oversubscribed: in its most recent FY17/18 round, the INFRA grant program saw $12 in unique requests for every $1 available. Currently funded at an average of $900 million annually, given this level of oversubscription, we estimate the need to be closer to $12 billion in multimodal freight investment annually through a competitive grant program.

As we approach the FAST Act’s reauthorization next year, we encourage Congress to not only increase the funding levels of both the freight formula program and the INFRA grant program, but to also eliminate the caps on non-highway spending under both programs. Freight does not move on highways alone—where public benefit is derived, public investment must be made. Intermodal freight is one of the fastest-growing sectors of the freight market. And, it is often in the places where various modes come together that public assistance is needed to close the funding and infrastructure gaps, which result in capacity inefficiencies and bottlenecks. Examples include highway-rail grade crossings, rail spurs to access cargo, logistics or transfer facilities, tunnels and bridges for port access, border crossing capacity enhancements, and air-freight connectors.

Implement a set of merit-based criteria for funding allocation: Projects should be selected through the use of merit-based criteria that identify and prioritize projects with a demonstrable contribution to national freight efficiency. Long-term funding must be made available to ensure that, once a project is approved, funds will flow through completion. Funds should be available to support multi-jurisdictional and multi-state projects, regardless of mode, selected on the basis of objective measures designed to maximize and enhance system performance, while advancing related policy objectives. The U.S. Department of Transportation’s decision-making process should be made transparent to ensure the integrity of the evaluation process.

A partnership with the private sector: Private participation in the Nation’s freight infrastructure is vital to system expansion. Federal funding should leverage private participation and provide transportation planners with the largest toolbox of financing options possible to move freight projects forward quickly and efficiently. We recommend that Congress consider establishing an advisory council made up of freight industry members and system users who could assist and partner with the U.S. Department of Transportation in order to optimize results from planning, coordination and evaluation processes.

Oversight of existing freight programs: We recommend Congress oversee execution of the INFRA program to ensure projects are evaluated against criteria codified in law. We commend Congress’ foresight in mandating that the Government Accountability Office (GAO) publish a report on the decision making process for the first round of the INFRA grant program and encourage Congress to continue such oversight to aid decision-making transparency and adherence to Congressional intent. I would like to thank the committee for their time and attention to this critically important topic.

Senator FISCHER. Thank you, sir.

We will begin first round of questioning and I will start.

For the entire panel, I would like to ask you a yes or no question. We’ve seen the FAST Act be recognized, the importance of freight transportation by creating that Formula Funding Program, and the Discretionary Grant Program specifically for freight that you just referred to, Mr. Szabo.

These programs are authorized between $1 billion and $1.5 billion annually apiece. Each of you touched on that in your testimony, but I want to follow up on this point, so hopefully yes or no.

Do you believe it is important for reauthorization of our Federal surface transportation programs to include those programs that are focused on freight transportation infrastructure, such as the Freight Formula Funding Program and a Discretionary Grant Program, known as INFRA, that was established in the FAST Act?

Mr. Baker.

Mr. Baker. Yes and yes.

Dr. Hacegaba. Yes and yes, with exclamation marks.

Ms. Lemm. It’s a yes.

Senator Fischer. Great.

Mr. Szabo. Yes, definitely, and lift the modal cap.

Senator Fischer. Thank you.

Ms. Lemm, last year, I worked very closely with the leadership at FMCSA on hours of service flexibility and I was glad to see that the FMCSA guidance provided flexibility for the ag haulers, especially for that first 150 air miles of their haul. You touched on that in your opening statement.

I plan to continue working with the Administrator on the hours of service flexibility for our ag haulers and the trucking industry more broadly.

Could you talk to us a little bit about how important it is for Ag haulers to have those flexible hours? I think a lot of people don’t understand the difference here.

Ms. Lemm. I really appreciate that and our membership appreciates your support.

I mean, the sensitivity to some of these agricultural products are so severe that even 30 minutes, can you imagine a driver who’s 30 minutes coming from that farm to that destination and they’re going to have to shut down.

We absolutely need to understand as a nation that there are some segments that need some understanding and flexibility. We have livestock, for example, live cattle, and live animals. We absolutely need to give them that extra waiver, that extra exemption. So we very much appreciate your support in this area.

Senator Fischer. We are looking at really the welfare of livestock when Ag haulers were doing this, correct?

Ms. Lemm. Absolutely, yes.

Senator Fischer. Thank you.

Ms. Lemm. Thank you.

Senator Fischer. Doctor, as you noted in your testimony last year the Port of Long Beach piloted the GE Port Optimizer Program.

What results have you seen from that pilot program that you can share with us?

Dr. Hacegaba. Thank you for the question, Chairman Fischer.

First of all, IANA and the Port of Long Beach both believe that leveraging emerging technologies could provide a series of solutions for some of the congestion issues that have been addressed so far here.

What we learned when we partnered with General Electric on their Port Optimizer Program is that providing visibility and trans-
transparency across modes within the supply chain could result in better decisionmaking, better planning, and better optimization of operations.

Although it was done on a pilot basis in a very limited sphere with a very limited timeframe, we believe that this technology and others like it demonstrate a lot of potential for what we can see across the intermodal supply chain.

So we’re very excited about what it presents and looking forward to continuing partnering to test out these innovative technologies.

Senator Fischer. Are there a lot of new technologies out there? Are you seeing a lot available now and in the pipeline for us?

Dr. Hacegaba. We are. We are seeing many technologies in other spaces and other industries. What we’re trying to do is look for those technologies that possibly provide solutions in our space and the fact that we are an interconnected supply chain with a lot of connection points, that’s where we believe technology can play a critical role by connecting the modes, making sure that data transfer is seamless, making sure there’s transparency, predictability.

Advanced predictability, just to give you one example, Chairman, can save the entire supply chain hundreds of millions of dollars a year just in giving the stakeholders the opportunity to predict with a high degree of certainty when a container might be available for pick up, when a container might be coming to the terminal for drop off.

We definitely see a role for technology. We believe that technology is a tremendous enabler to provide solutions to the supply chain.

Senator Fischer. And I would ask if any other panel members would like to make comments on that and specifically how should we, here in Congress, address the role of technology when we’re looking at the reauthorization of the FAST Act?

Mr. Szabo. Well, I think the key from our work at CMAP is recognizing the investment that is going to need to be made in existing infrastructure to have it ready for things like autonomous vehicles and so to really embrace and capture the technology is going to take significant capital investment and so this really does come back to the urgent call for additional capital investment in freight as well as our broader transportation system.

Senator Fischer. Thank you.

Any other members? Mr. Baker?

Mr. Baker. For the rail industry, technology is crucial, whether it’s on the operational side. We believe there are a lot of advancements out there for us to make on being more transparent for shippers about, frankly, where their freight is and when it’s going to be delivered and that’s a huge area for improvement.

On maintaining our own infrastructure side and running the railroad, there have been really remarkable advancements in technology over the years with railroads, whether it’s ultrasonic rail inspection or hot wheel detectors or continuously welded rail or positive train control.
We like to say it's not your father or your grandfather's railroad anymore. The railroad looks similar to how it used to but it really operates at a much higher tech level than it used to.

As far as what the Senate can do to support that, I would point back to the same issues we've mentioned. Because the railroads are largely privately funded and privately operated, we need a regulatory system that allows us to earn enough money to invest back into the infrastructure.

On the short line side, we also appreciate the short line tax credit which allows us to do a little bit more and leverage our own money even a little bit farther.

Senator FISCHER. OK. Thank you very much.
Ms. Lemm, did you have a comment?
Ms. LEMM. If I could comment from a shipper perspective, the biggest thing that you hear out there is, you know, where's my freight?

There's just such a big black hole and a lack of visibility to where that container is. Is that container available? Am I able to end gate? I've been standing in line for 4 hours. Am I going to be able to get in?

So we absolutely support an initiative that looks at integration for all sectors.

Senator FISCHER. Thank you.

Senator Duckworth.

Senator DUCKWORTH. Thank you, Chairwoman.

Mr. Szabo, the benefits of increasing investment in freight and intermodal infrastructure are well known and we've already been in discussion a little bit today. These projects require large amounts of money and involve many public and private players.

Federal funding for these projects is often necessary to get the projects off the ground. This is why I was a strong advocate for FAST Act Freight Funding Programs and I've seen firsthand the project impacts of freight and rail grants in Illinois.

In your role at CMAP, how important is Federal funding to getting these projects developed, and would these projects have moved forward without Federal funding?

Mr. SZABO. Having a reliable Federal partner to participate in these projects is crucial. It's somewhat fundamental, particularly understanding that it's about interstate commerce and so many of the major projects, as I mentioned in my testimony, transcend states or local jurisdictions. They cross multiple modes and so having a Federal partner that is able to provide the leadership, provide funding is critical.

You know, we were incredibly pleased with the FAST Act provisions and how that allowed several of our projects to move forward, but I would again come back to the concerns about the cap on non-highway projects.

We believe in performance-based program management at CMAP and this means ensuring that funding is completely flexible to allow us to invest in the very best projects possible that have the greatest benefits to the public. And when we put our plan together for the region, it looks out 30 years, and one of the points I make is that it doesn't make much sense today to focus on funding in modal silos when modes are changing and we don't even know
what the modes are going to be 30 years from now. So whatever we do should be completely flexible.

Senator DUCKWORTH. Thank you.

The Federal Highway Administration has reported that the largest increase in truck traffic will be where interstates intersect. Two of the 25 most congested segments in the Nation are in Chicago. Anybody who has driven the Old Circle Interchange where Dan Ryan and Kennedy meets the Eisenhower Expressway can tell you what that means. I've spent too many hours of my life there.

To each of the panelists, what more should we do to focus attention on the worst, most congested areas in our nation, and how can we direct Federal funds to focus on alleviating congestion at these particular freight bottlenecks?

Let me start over with Mr. Baker.

Mr. BAKER. We believe that the merit-based competitive Federal programs that you've instituted in the FAST Act, including CRISI and INFRA and then also BUILD, are well set up to address those problems well.

We would support increases in funding for those and certainly increases in flexibility for, in particular, INFRA and the state freight formula program, but essentially a Federal merit-based competitive program ought to be able to be leveraged to address the biggest bottlenecks and chokepoints of those projects should rise to the top in a competitive benefit-cost analysis.

Senator DUCKWORTH. Thank you.

Dr. Hacegaba.

Dr. HACEGABA. Senator, the illustration that you used to illustrate the state of our highway system, I think, is endemic of what we're seeing nationwide.

As I noted a moment ago, the total cost in the freight infrastructure is estimated at approximately $3.7 trillion and as much as we like to focus on the first mile and the last mile, I think the focus of this panel here is to understand the entire intermodal freight network and how it fits together and so from IANA's perspective, we believe that investing in freight infrastructure is critical not just to our industry, our collective industries, but in order to move America forward, and the downstream impacts on the economy with regard to jobs, the multiplier effect that we see.

So from our standpoint, we believe in fully funding freight provisions and opportunities for ports to apply for formula and competitive multimodal freight grants.

Senator DUCKWORTH. Thank you.

Ms. Lemm.

Ms. LEMM. We absolutely agree. I mean, when we talked earlier in the testimony about how our ag shipments have to go to where the containers are and so we'll bring in rail cars and we'll transload in these huge areas that you're talking about. They rise to the top. Chicago, Dallas, Atlanta, Memphis. All of these key inland hub areas are where this traffic is moving into and so absolutely prioritizing these areas of congestion is very, very important.

Senator DUCKWORTH. You have the last 20 seconds, Mr. Szabo.

Mr. SZABO. Yes. I think it's already been said. Continue a merit-based approach. You know, the provisions in the FAST Act are an
excellent place to start. Just lift that non-highway cap and make it completely mode-neutral and ensure predictable funding.

Senator DUCKWORTH. Thank you.

Yield back.

Senator FISCHER. Thank you, Senator.

Senator Klobuchar.

**STATEMENT OF HON. AMY KLOBUCHAR, U.S. SENATOR FROM MINNESOTA**

Senator KLOBUCHAR. Thank you very much. Thank you to all of you.

A little over a week ago, 40 rail cars derailed in Carlton County, Minnesota, up north, resulting in a spill. Thankfully no one was hurt but that’s not always the case.

We hear a lot of concerns about derailments and hazardous material spills. We’ve had a number of them in our states and, Mr. Baker, can you explain why investment in railway safety and infrastructure is critical to prevent these types of accidents?

Mr. BAKER. Thank you, Senator, for the question.

We believe and we believe that the data shows that rail is the safest mode of surface transportation, but I would agree with you very much that any rail accident is unacceptable and one accident is too many, and we do acknowledge and it’s obviously a fact that we haul many dangerous materials. We haul hazardous materials all the time. We are common carriers. We are obligated to haul what the customer would like to move.

Senator KLOBUCHAR. I understand.

Mr. BAKER. We very much appreciate any Federal support that allows us to invest in infrastructure. We think basic investment in track infrastructure is the single most important thing that railroads can do to improve safety.

So some of the programs that I’ve already mentioned, such as the short line tax credit and the CRISI Grant Program, are extremely helpful with improving railroad safety.

Thank you.

Senator KLOBUCHAR. Thank you.

Mr. Hacegaba, last year, our state was awarded a $20 million BUILD grant for the Twin Ports Interchange Reconstruction and that includes replacing 35 bridges, reconstructing a high-rise in the Duluth Superior area.

Why are these competitive grants better suited for addressing multimodal or multi-jurisdictional projects?

Dr. HACEGABA. Thank you for the question, Senator.

I think if you look at the entire national system, the infrastructure system, you’ll see that the need far outpaces the resources available and to the extent that freight, investments in freight infrastructure can be prioritized, it would help us tackle the ongoing challenge of meeting America’s infrastructure needs.

To answer your question very succinctly, investment in national freight infrastructure is an investment in our overall economy because economic benefits of investments in infrastructure will be seen in strong American jobs, higher standard of living, global competitiveness.

Senator KLOBUCHAR. And it’s about getting goods to market,—
Dr. HACEGABA. Exactly.

Senator KLOBUCHAR. —especially when we look at the fact that something like 95 percent of the world’s customers are outside of our borders and we’re going to have to get them.

All right. But that is an exciting port that we have in Duluth. It’s, I think, the biggest on Lake Superior. So we’re pretty excited about the growth we’ve seen there.

One last thing, Promoting Rural Exports Act, Senator Hoeven and I have introduced this and our bill would establish a rural exports center at the U.S. Commercial Service to provide support to rural businesses looking to export their products, something I was just referring to, to international markets.

Ms. Lemm, can you explain how these kinds of programs that support continuity throughout the intermodal networks would be helpful to export things from rural areas, whether it’s ag, whether it is timber, you name it?

Ms. Lemm. It’s like I was trying to share for our rural ag shippers literally they could be miles, hundreds of miles from where they have access to reliable and consistent transportation modes to get their goods to port and so things like you’re talking about right now would be welcomed.

There are so many of our shippers that struggle every day. They’re looking for innovative ways. They’re begging for equipment and they would be very pleased to hear that there may be an avenue for support.

Senator KLOBUCHAR. OK. Very good. And then last, Mr. Szabo, can you talk about how government shutdowns can interfere and create vulnerabilities in our transportation network? That would be called like a leading question.

Mr. Szabo. Well, I think anything that creates uncertainty is not healthy for the system. You know, anything that makes the processing of environmental reviews, slows down construction, and increases cost, you know, anything that slows down the payment of contractors certainly is not healthy and increases cost and so comes back to a point I made earlier that the public and private sector need a reliable Federal partner and so——

Senator KLOBUCHAR. Very good. And I’d also mention, I’m not going to ask about this, but the Bridge Act that Senators Blunt and Warner and I and others introduced last year, that public-private partnership, and we’d really like to see that, if we can get an infrastructure bill moving.

For me, it’s very important. It also includes rural areas, of course, and that it’s done in a way that doesn’t gift the direct Federal investment that has to happen but also sees it as an element of the solution.

So thank you.

Senator FISCHER. Thank you, Senator Klobuchar.

Senator Blumenthal.

STATEMENT OF HON. RICHARD BLUMENTHAL, U.S. SENATOR FROM CONNECTICUT

Senator Blumenthal. Thank you, Madam Chairwoman. Thank you all for being here today.
Senator KLOBUCHAR. You broke the glass ceiling by including you in this hearing.

[Laughter.]

Senator BLUMENTHAL. And as we say in the courtroom, I rest my case.

Thank you all for being here today, really appreciate this excellent panel.

I want to follow up on a question that Senator Fischer asked about positive train control. I'm assuming that nobody on this panel has any doubts that positive train control is a good thing to do. All of you agree. If you don't raise your hand or say no——

Mr. SZABO. Definitely a good thing.

Senator BLUMENTHAL. OK. Thank you.

Mr. BAKER. It's a good thing, yes, Senator.

Senator BLUMENTHAL. Anybody on this panel think that the deadline should be further delayed? As you know, there have been two delays and I'm eager that we meet this deadline. As you know, I've been one of the leading proponents of positive train control.

So let me ask all of you whether you have any reservations about the present deadline. Mr. Baker?

Mr. BAKER. No, sir. We are expecting to meet the current deadline.

Dr. HACEGABA. IANA has the same position, Senator.

Senator BLUMENTHAL. Ms. Lemm?

Ms. LEMM. No reservation.

Mr. SZABO. The public deserves the highest level of accountability.

Senator BLUMENTHAL. Thank you.

I want to follow up on a question that Senator Klobuchar was asking about. Some of the calamities that have occurred, particularly on the kind of combustible materials that have been involved in major derailments, fire, explosions of trains carrying crude oil in Philadelphia in 2014, North Dakota in 2015, Oregon in 2016, Mississippi in 2017, most recently in Iowa 2018, which leaked 230,000 gallons of crude oil. Those are just a few and some at least are due to older, more dangerous tank cars that continue to carry flammable liquids.

I know this issue may have been raised in some of the testimony and some of the questions, but I'm wondering what the Federal Government can do to, Number 1, help the industry or incentivize it to adopt safer tank cars, and I think Canada is ahead of us in this respect, unless I'm misinformed, but also prepare communities that may be at risk, including some, by the way, in the Northeast.

People are unaware of them but they go through very populated areas and let me pose those two questions to you.

Mr. BAKER. On the tank cars themselves, I believe that our current stance is that we believe that the current transition plan to the newer tank cars, which the Federal Government played a very active role in setting those rules, is an appropriate transition and the industry will be challenged and stretched to meet it, but we are committed to meeting the law as it is and transitioning to those safer tank cars over time.

On the preparing communities, we're very proud of the work that the Transportation Technology Center out in Pueblo, Colorado,
does. The railroad industry has a program where first responders from throughout the country go out to Pueblo to learn about responding to those types of hazardous material releases. They are extraordinarily rare but they do happen.

And as I said to Senator Klobuchar, we would agree with you that one accident is too many. We are convinced that rail is the safest mode of surface transportation and for the society, we are better off with any dangerous shipment on rail than we are on any competing mode, but nonetheless our goal is zero accidents and so some of the programs that we talked about, whether it's the short line tax credit or the CRISI Grant Program or INFRA, that would help the short lines and larger railroads improve their infrastructure is the most important thing we can do to improve railroad safety.

Senator BLUMENTHAL. Thank you.

Dr. Hacegaba. Senator, IANA, which represents the combined interests of the intermodal supply chain, while we do not have a position on this specific issue, I can assure you that we view the issue of safety as paramount to intermodal operations.

The only other comment I would make, as well, is it furthers the argument why we need to continue to invest in our infrastructure. While our partners on the rail side, who make every effort to make their operations safe, will continue to do that, it's the infrastructure that has to be adequate in order to support safe operations.

Senator BLUMENTHAL. Thank you.

Ms. Lemm. Senator, I come here today representing ag shippers mostly in containers and, fortunately, the list of challenges wasn't hazardous, so I don't have a position on that today.

Thank you.

Senator BLUMENTHAL. Thank you.

Mr. Szabo. Senator, I mentioned at the opening that I represent 284 communities and so obviously the emergency prep piece of this is critical to them. But taking it to the next step, obviously ensuring continuation of good track safety standards, maintenance procedures, sound operating practices, you know, taking a system safety approach and allowing good root causation analysis when incidents happen to come up with the best long-term fixes. You know, fundamental, sound fundamental railroading is the best way to ensure that you don't have an incident.

Senator BLUMENTHAL. Thank you. Thank you.

Senator FISCHER. Thank you, Senator.

We will begin a second round of questions and if any of our colleagues on the subcommittee would like to join us, they need to get down to the hearing room so that they can ask questions, as well.

I will begin now with Ms. Lemm. Regarding your comments on chassis, how widespread is that shortage for intermodal freight, and do you think that the Supply Chain Innovation Team model that was used in Memphis that you alluded to could work to address the chassis shortage in other parts of the country?

Ms. Lemm. First, the chassis shortage is critical throughout the United States. You may be reading about it in L.A.-Long Beach, reading about it in Chicago, and certainly in Memphis. So to answer the first question, the chassis supply issue is widespread shortage of supply.
The Memphis Innovation Team was just a group of stakeholders that came together. We really didn’t understand what the root of the problem may be, if it was actionable, and it was interesting that the team was made up of rail providers, ocean carriers, shippers, and motor carriers.

Within a very short period of time, the most actionable item was this chassis. It’s often just taken for granted. When we started in the industry in containerization, everything was a unit on wheels and mounted. Many of our rail facilities are still mounted facilities and therefore requiring a chassis. As soon as those trains come in, chassis are required.

So the team felt like the most common sense thing was to have a grade pull, which was the initiative by ocean carriers where, when they got out of the business 10 years ago, that was the plan. We’re going to have the single grade pull that’s interoperable.

Today, what we find are three captive pulls, three of the largest chassis providers in lease arrangements, long-term lease arrangements, and to, I guess, be able to share it with you—let’s just say it’s color-coded.

An ocean carrier will take a red chassis, one will take a purple, one will pick a yellow chassis. Can you imagine that train coming in and there are no red chassis but there are hundreds of yellows? Everything goes to the ground. It doesn’t make sense.

What we’re asking for is interoperability, gray. If there are chasses there, let’s use them. We’re asking for fair access to them. Today, that’s handcuffed. Having to pick red, purple, or yellow doesn’t make sense, not fair, if we’re paying the price. Also not fair in those mounted facilities when those trains come in. If that proper chassis that was designated by the carrier, ocean carrier to use isn’t there, those containers go to the ground and therein lies the discussion of detention and demurrage.

And so the chassis model that we’re suggesting in Memphis, we’re very hopeful, is a model for other inland hubs, just like Memphis, Chicago, Dallas, they have five Class I railroads, vast geography from one railroad to the next. We as shippers are using all rails and so we think the model is a basis for the rest of the Nation. We’re hopeful we’ll be the first.

Senator Fischer. Thank you.

Dr. Hacegaba and Mr. Szabo, you both recommended the creation of a multimodal freight office within the Department of Transportation.

Can you elaborate on what this office would address that is not currently being addressed by the Department of Transportation? Doctor, why don’t you go first?

Dr. HACEGABA. Sure, Chairwoman Fischer.

I think the key here is to have an office at the appropriate level that has a broad and holistic view of the intermodal supply chain.

Right now, what we’ve seen in the past is the need for infrastructure investments have been duly noted over the years but when it comes to the intermodal freight network, we need to ensure that the last mile, the first mile, and every mile in between is adequately funded so that that supply chain is seamless, and we believe that having that office at that level will bring attention to the
needs, the funding needs, and the infrastructure development needs.

Senator FISCHER. Mr. Szabo?

Mr. SZABO. Yes. I would absolutely concur. You know, it is about that holistic approach to the entire supply chain and making sure that it's entirely fluid.

Certainly having been a U.S. DOT insider, you know, I was proud on the work that we were able to do to collaborate on a multimodal basis. But still, each one of us went in there, you know, even though we were cooperating with the other modes, we still were thinking about our own. And so having that one person that really is responsible for the big picture and ensuring that this entire network remains fluid I think is critically important.

Senator FISCHER. Thank you.

Senator Duckworth.

Senator DUCKWORTH. Thank you, Madam Chair.

Ms. Lemm, can you speak to the importance of our maritime highways to the freight network?

Ms. LEMM. Well, again, most of our Ag members are containerized shippers and not moving or navigating through our rivers. So today, I'm really just prepared to talk, if I may, about containerized exports moving by motor carrier or by rail, as I mentioned box cars, into those hub centers where they're transloaded into containers.

Senator DUCKWORTH. Thank you.

You know, in the last couple of years in Illinois and also our nearby neighbor Iowa, we've had to stockpile corn and soybeans and our silos are overflowing and, in fact, our neighbors in the southeastern United States have been purchasing corn and soybeans from Brazil because it is faster to move these agricultural products from Brazil to Georgia than it is—to Atlanta than it is to get it down to Mississippi and part of this is because of the problems we have with our lock and dam system, the congestion with our inland waterways, and certainly it is an important part of the network, and I know that the rail, for example, have been very supportive of some of the bridge projects that we have been working on in order to have railroads come to support bridge projects over the Mississippi because that's what the barge folks need in order to get freight.

It truly speaks to the true intermodal nature of freight traffic in this country and several of you have mentioned the need to lift the multimodal cap, Mr. Szabo more than once, in the Freight Program.

Can you provide specific examples of why this is important, why it's important, and then I'll open it up to the group, but you want to start?

Mr. SZABO. I think, you know, the easy answer is because freight doesn't just use the highway system and so again we're talking about a holistic approach. We're talking about an entire supply chain, you know, in this fluid system. And so there needs to be the flexibility to invest in the very best projects and there shouldn't be any type of mode restriction.
Where's the best return for the public and wherever that best return is, that highest return, this is where the investments need to go.

Senator DUCKWORTH. Do you have a specific example of where this has been a problem?

Mr. SZABO. Well, obviously, I mean, the big one for me is coming back to the CREATE Program in Chicago, you know, where we're talking about rail infrastructure that impacts, you know, the national flow of goods through the Chicago hub, Amtrak, Metro commuter trains, emergency grade crossings, truck routes, you know. And all of these are constrained with the antiquated design that we face today, and so when the FAST Act provisions were being put together, we were trying to make sure that we would have a tool that would allow us to untangle this entire mess and we were able to make it work with the cap, but it was very concerning and a little bit tenuous. And so for me that's one great example.

Certainly there are port issues. I think there are wiser minds at this table than me that can speak to that, but it's got to be about this system.

Senator DUCKWORTH. Thank you.

Dr. HACEGABA. Yes, Senator, I would agree a hundred percent with Mr. Szabo.

The Port of Long Beach, for instance, we're on a $4 billion capital investment program. We believe that that's what we must do to maintain our competitiveness going forward and the narrow, bigger ships, ships bringing more cargo, creating peaks and surges and creating imbalances on the equipment side, it's critical that we continue to build out our infrastructure.

One billion out of that $4 billion capital program is all devoted on-dock rail. The advantage of on-dock rail is that it allows us to put a container on a train at the port, eliminating that short haul to an inland destination. It's safer, it's more reliable, it's cleaner, it's more cost-effective, and these are some of the projects, for instance, that would benefit if that cap was lifted.

Senator DUCKWORTH. Thank you.

Mr. BAKER. Right. I would simply say that with the point of the INFRA Program being to solve our Nation's freight challenges, which are numerous and many, and in a world of finite resources, to us, it doesn't make sense to limit the program unnecessarily to one mode and as I said in the testimony, I would say that's especially true in an era where these programs are no longer being funded a hundred percent by the highway user fees.

I believe we're at a $140 billion and counting since 2008 out of General Fund money that has gone to support the Highway Trust Fund. So we believe that is no longer appropriate.

We would say artificially limit the program to a single mode or primarily to a single mode.

Senator DUCKWORTH. Thank you.

Senator FISCHER. Thank you, Senator Duckworth. I look forward to working with you on many of these important issues. It's a pleasure to have you as a Ranking Member and I thank the witnesses today for your good testimony.
The hearing record will remain open for two weeks. During this time, Senators are asked to submit any questions for the record. Upon receipt, the witnesses are requested to submit their written answers to the Committee as soon as possible.

And with that, the hearing is adjourned.

[Whereupon, at 3:40 p.m., the hearing was adjourned.]
APPENDIX

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN THUNE TO CHUCK BAKER

**Question 1.** Mr. Baker, according to recent data from the Federal Railroad Administration, all 41 railroads either met the December 2018 statutory deadline for PTC implementation or have met criteria for the alternative schedule. However, only 16 percent of host-tenant relationships—many of which are between shortlines and larger Class I hosts—have achieved interoperability.

Could you provide an update on the status of PTC implementation among shortline railroads and describe any challenges short lines may be facing in achieving interoperability with host railroads?

**Answer.** The statutory requirements for PTC installation fall on very few short line railroads. The remainder are being required to equip by contract with a Class 1 carrier. The statutory deadline for short line railroads is 2023, so by law they have additional time to equip. Currently, all short lines that are required by contract have been working towards the deadlines that their Class I hosts require. However that has not been without substantial challenges.

One of the early challenges for these short lines involved the process of determination by the Class I railroads determining which short lines were going to require to be equipped. During that phase, there were many changes and iterations regarding which short lines by contract needed to install PTC.

A more recent challenge short lines are facing regarding interoperability involves situations where a short line is involved with train movements involving three or more railroads and the short line is using the power of one of the Class I railroads involved in a move. For example, if the train originates with a one Class 1 PTC equipped locomotive and is interchanged with a second Class I and then with the short line whose crews step on the locomotive to complete the move, the back office servers have challenges recognizing the territory in the various PTC systems, thus preventing interoperability until the downloads for that territory are complete. This process is time consuming and could occur thousands of times over the course of a year. The PTC software and hardware suppliers have been attempting to resolve this issue but it continues to take time.

Another current challenge is that if a short line is using one supplier’s back office server and another server’s software, there have been intellectual property issues causing delays.

Finally, negotiations by short lines with the sole provider of the software license have proven difficult and have also taken months to complete.

Overall, short lines are committed to PTC implementation and the good news is that in the vast majority of cases the short lines are working collaboratively with their Class I partners, vendors, and the FRA to get this done on time. Challenges do remain though as technical expertise on these new and ever-developing systems remains limited and resources are finite.

**Question 2.** Mr. Baker, you mentioned in your testimony that the RRIF program in its current form is not a useful tool for shortline rail infrastructure investment.

a. Could you describe some of the challenges posed by the RRIF program that deter use by applicants such as shortline railroads?

**Answer.**

1. The process of applying for RRIF funds is very costly for the borrower while the outcome of the application—the cost of the financing—is not known until the end of the process when the final term sheet is presented to the borrower. USDOT charges applicants an upfront fee for their external advisors that starts at $250,000, a charge that the applicant cannot recover.

2. The uncertainty around the final cost of the credit is also a deterrent. A major component of the cost of the loan is the credit risk premium, which is a charge
that in a private loan would be built into the interest rate. The government breaks this out as a fee that is charged upon drawing down loan funds and is kept by the government to protect against the probability adjusted loss of a default scenario. While typical credit risk premiums of loans successfully made have been around 6–7 percent for short lines, some RRIF loans have had premiums in the low 20 percent range, and a premium could theoretically be up to 100 percent. The challenge is that DOT traditionally has only provided the CRP at the tail end of the process and not been able to provide an estimate or estimated range at any point in the process prior to term sheet. Short line railroads fear that they could spend a large amount of time and money on an application only to receive a CRP that makes the loan prohibitive.

3. The entire process is also very time consuming, with the time from approaching the program to executing a loan agreement generally exceeding a year, which makes the process unrealistic for many railroads that are operating in constantly changing business environments.

4. There is a mismatch between the term of RRIF loans and the economic lifespan of certain common assets that short line and regional railroads will seek to finance through the program. Major railroad civil works and structures, like braced yards and tunnels, can have lifespans of a century or more, while RRIF is limited to financing up to 35 years. Many short lines were spun off from large railroads because their traffic levels were not economic for the large railroad. However, these smaller railroads are left managing large capital assets that were originally constructed and maintained by much larger companies. Beyond this fleet of legacy assets, economically we expect short line and regional railroads to keep up with the technical levels of the large railroads to facilitate interchange with these large railroads. This means investment in Class I levels of capacity such as the means to handle 286,000 or 315,000-lb railcars, generous clearances, siding lengths that can handle lengthy unit trains and track geometry and condition quality that can support modern large locomotives. These are very expensive investments to make for small firms; the longer the term of financing they can obtain the less prohibitive it would be for short lines to keep up with the ever advancing national network standard.

b. As a follow-up, do you have any suggestions for how the RRIF program could be improved to make it a more viable option for shortline infrastructure investment?

Answer.

1. Congress can subsidize RRIF application charges levied by DOT, either through the annual THUD appropriations process or through a stable multi-year funding mechanism that could be included in a surface transportation reauthorization or infrastructure bill.

2. Congress can subsidize the costs of RRIF credit risk premiums, also through the annual THUD appropriations process or a multi-year funding mechanism. This is an approach that has been taken successfully with the TIFIA loan program.

3. Congress can mandate that USDOT offer more formal and structured feedback to borrowers on the key credit factors identified in their application at regular intervals, such as monthly. This feedback would give applicants a sense of what USDOT sees as the level of risk for each factor associated with the borrowing. Such feedback, not dissimilar from a private debt rating document, would provide an estimated range of the CRP for that loan, or explain clearly why one can’t be provided at that time and what specific data is required by USDOT to generate such an estimate.

4. For borrowers and projects that meet certain publicly stated criteria, the USDOT should initiate a “RRIF Express Program.” This program, which has been in development at USDOT for over two years, would strive to reduce the time period from entry to receiving a term sheet to a few months.

5. Congress can extend RRIF terms to at least 50 years from a project’s substantial completion, so that very long-lived capital assets can be more affordably financed, enabling smaller railroads to maximize cash flow while maintaining their large legacy assets in a state of good repair. The largest Class I railroads issue bonds for terms of up to 100 years with some frequency; such long-dated debt is not unprecedented in this sector. If a Class III railroad has a legacy Class I scale asset, or we expect it to have a capital plant capable of interoperating with Class I’s at Class I scale—which we do—it is in the public interest that the assets can be financed on Class I terms.
RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO CHUCK BAKER

Freight Investment. I have long been a champion of Federal funds for freight projects, which for the first time received dedicated funding in the FAST Act with the implementation of the FASTLANE (now INFRA) program, which I championed. Trade and the movement of goods is the backbone of our economy. In Washington state, we know this all too well as forty percent of our jobs are tied to trade.

Questions 1. Where do you see the main chokepoints that require multi-modal investments to keep freight moving?

Answer. Safe and efficient movement of freight is critical to the health of our national economy. Short line railroads provide first and last mile service for one in five freight rail cars moving each year. Our small railroads play a vital role in moving goods in and out of both urban and rural areas, particularly small towns, without further stressing our nation’s congested highways, and we do so in an effective and environmentally sustainable way. The freight rail network successfully connects communities and small businesses to bigger markets and is the best solution for many of our Nation’s freight challenges. Investing in our rail infrastructure must continue to be a national priority, as rail is an available solution to reduce freight chokepoints.

Question 2. How can increased investments in the freight program better address these challenges?

Answer. ASLRRA is very supportive of the INFRA grant program and the state freight program. We believe that there is value in discretionary grant programs open to multiple modes of transportation, especially those focused on freight and movement of goods. When developing surface transportation reauthorization legislation, Congress should look to expand the overall size these programs and also remove the counterproductive limits on rail, port, and other non-highway projects. ASLRRA believes that the national transportation system is multi-modal and inter-modal in nature, so stove-piping major programs, particularly those for freight, should be avoided whenever possible. Allowing more rail projects to successfully compete in these programs will go a long way to helping relieve congestion on our Nation’s highway system and create a more seamless, safe, and environmentally sustainable freight network.

Paying for Freight. I think we all know and see the value of investing freight, but we struggle to find agreement on how to pay for these investments. Congress has heard support for any number of proposals—including continuing the existing practice of using highway trust fund and general fund revenues or dedicating new revenue, such as the proposed waybill fee.

Question 3. What are your views on how we pay for critical freight investments?

Answer. ASLRRA advocates for a highway trust fund (HTF) that is funded by those who benefit from and cause the wear and tear of the interstate highway system, and we support either an increase in the diesel tax, a weight-distance tax, or a move to a vehicle miles traveled (VMT) user fee on commercial trucks. Commercial trucking puts immense stress on the highway infrastructure they depend on, but under our current system, they do not adequately contribute to costs of maintaining our roads and bridges. It is estimated that heavier trucks are only paying 80 percent of the damage they inflict, sticking all American taxpayers with the rest of the bill. Investing in our infrastructure is important, but subsidizing commercial trucking so heavily is not only bad for the rail industry (it’s tough to compete when your biggest competition is subsidized by more than $10b every year!), but it is ultimately bad for our Nation’s economy and facilitates undue stress on our Nation’s highway system.

Short lines believe that investing in our own infrastructure is critical and spend around 30 percent of revenues on maintaining and improving our infrastructure. Critical tools like the 45G short line tax credit allow that money to go even further and allows for an even safer, more efficient rail network that benefits both the movement of freight and sometimes passengers as well.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO DR. NOEL HACEGBA

The Intermodal Association of North America consists of more than 1,000 corporate members including railroads, ocean carriers, ports, intermodal trucking companies, over-the-road highway carriers, third-party logistics companies and suppliers to the industry. As a significant player in the effort to improve the efficiency of goods movement, IANA is the only organization that represents the combined inter-
Freight Investment. I have long been a champion of Federal funds for freight projects, which for the first time received dedicated funding in the FAST Act with the implementation of the FASTLANE (now INFRA) program, which I championed. Trade and the movement of goods is the backbone of our economy. In Washington state, we know this all too well as forty percent of our jobs are tied to trade.

Question 1. Where do you see the main chokepoints that require multi-modal investments to keep freight moving?
Answer. The main chokepoints exist at the ports, depots, inland intermodal facilities and on the highways that access these facilities. Increasing the reliability of delivery and developing seamless pathways for the movement of freight is important to the continued growth of the U.S. economy. Dedicated investment in intermodal connectors—the highway links that facilitate the transfer of freight between modes—are part of the solution to congestion. While these highway corridors make up less than one percent of the total National Highway System (NHS) mileage, intermodal connectors are critical to the ingress and egress between intermodal facilities and the NHS. Having dedicated funds to support investments in alleviating these chokepoints would greatly reduce congestion and improve freight fluidity and velocity across the supply chain. In addition, the use of on-dock and near-dock rail is an important transportation option used to alleviate port congestion and to improve freight velocity throughout the intermodal network; these investments also help to alleviate emissions by removing more trucks from the roads.

Question 2. How can increased investments in the freight program better address these challenges?
Answer. Freight transportation is the backbone of the American economy. The increasing volume of goods moving through U.S. ports and throughout the intermodal freight network each year creates additional strains on the supply chain. It is estimated that U.S. businesses pay $27 billion each year in extra freight costs due to congestion and outdated facilities. It is also estimated that it would cost $3.7 trillion in order to meet all of the infrastructure needs of the freight supply chain. New capital investment in freight transportation infrastructure will lead to significant benefits including higher productivity, improved freight velocity and enhanced global competitiveness.

Increased funding for freight infrastructure projects, including marine and rail intermodal facilities and intermodal connectors, will provide freight stakeholders and their customers with the speed, reliability and reduced costs they need to succeed and to grow the U.S. economy.

We also believe increased funding, along with the establishment of a Multimodal Freight Office in the U.S. Department of Transportation, would send an important message to the private sector about our Nation’s commitment to freight and enable additional capital investment to seed further enhancements to the intermodal network.

Intermodal Port Projects. Ports and port terminals are a critical part of our freight network, but frequently get overlooked when it comes to Federal funding. The FAST Act included new programs to help move freight more efficiently. However, I’m concerned that the programs don’t go far enough to help ports.

Question 3. How do limitations on the FASTLANE grants impact the ability to fund intermodal freight projects? What should be done to address these limitations?
Answer. Integrated planning and funding that addresses the end-to-end needs of freight movement will be critical to developing comprehensive regional and statewide plans to improve the Nation’s freight infrastructure. There are several key items that can be done to address limitations on the FASTLANE grants. The first is to remove the $500 million cap on intermodal freight projects. Of the $11 billion in dedicated freight funding over five years authorized in the FAST Act, only $1.13 billion is eligible for intermodal freight projects. Congress should also reinstate a projects of regional and national significance program, under which freight infrastructure projects would be eligible. In addition, discretionary grant programs like Better Utilizing Investments to Leverage Development (BUILD), Consolidated Rail Infrastructure and Safety Improvements (CRISI) and Infrastructure for Rebuilding America (INFRA) have provided much-needed opportunities to fund freight-related projects and need to be expanded.

The FAST Act also provided important support for enhancing the intermodal network because it looked to expand funding; streamline the environmental review and permitting processes to accelerate project approvals; promote the deployment of transportation technologies and congestion management tools; and expand port eli-
gibility in the Congestion Mitigation and Air Quality Improvement Program. We need to build on these successes.

Question 4. Does focusing freight policies largely on highways impact our ability to move goods efficiently?

Answer. Yes. Focusing freight policies largely on highways ignores the fact that freight moves across modes—by water, rail and highways. To ensure that goods can move efficiently throughout the transportation network, policies should take into account planning for freight movement from origin to destination, and provide funding for investment in infrastructure across the modes and in technology that facilitates freight movements between and across modes. Intermodal by its nature is complex, and it requires resources that allow all stakeholders to work together to move freight in an efficient and timely manner.

Paying for Freight. I think we all know and see the value of investing freight, but we struggle to find agreement on how to pay for these investments. Congress has heard support for any number of proposals—including continuing the existing practice of using highway trust fund and general fund revenues or dedicating new revenue, such as the proposed waybill fee.

Question 5. What are your views on how we pay for critical freight investments?

Answer. We believe in the development of a comprehensive national freight policy that not only addresses funding for and improvements to the Nation’s roadway, rail and bridge infrastructure system, but that also allows for significant investment in projects not directly related to highways. The following items are, in our view, critical to enabling America to compete more effectively in an increasingly global economy:

- Fuel taxes should be increased to support freight infrastructure projects.
- Introduce Freight railroad infrastructure investment tax credits to support rail infrastructure projects.
- Support and encourage common-sense Public-Private Partnerships that improve and expand America’s freight infrastructure.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. JOHN THUNE TO DONNA LEMM

Question. Ms. Lemm, you mentioned in your testimony that many agricultural commodities—including grains and soybeans—are increasingly migrating from bulk cargoes to containerized shipping. Could you describe how this transition is affecting the supply chain, as well as how intermodal infrastructure investment will change as a result?

Answer. For decades we have seen the conversion of grain and soybean into containers. Containerized shipments allow smaller, more manageable quantities for the overseas buyer to manage, as opposed to the massive quantities in the bulk ships that have traditionally carried soybeans, grains, wheat. Further, containers allow different varieties of these products to be segregated, for example GMO from non-GMO, and different grades of the grain or soybeans. For the ocean carriers, the containers, if not loaded with our exports, would return empty, meaning without generating any revenue for the ocean carrier. So even at low export freight rates, these containers became very attractive to get goods shipped competitively to foreign markets. As bulk shipping costs rose, containerized shipping fell and immediately conversion to containers occurred. Goods are well protected in ocean equipment and while we still see a tremendous amount of bulk shipping, containerized freight is favored by many shippers and receivers.

How does it impact the supply chain?

Answer. All agriculture commodities are scrambling to be served from the same pool of containers. Often there is more agriculture ready to be shipped, than there are containers available to be loaded. This is particularly frequent in places where
the largest volumes of agriculture (soybean, grain) are sourced, which are the furthest from the ports (the Midwest), meaning empty containers must be brought long distances from the ports or metropolitan areas where the containers with imported consumer goods are destined. This involves trucking, rail and inland depots. So when we see a conversion from bulk/barge to containers, often preferred by the foreign receivers, the impact to the supply chain is huge—as shippers in the Midwest or other inland points scramble to get their hands on those containers.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO DONNA LEMM

Freight Investment. I have long been a champion of Federal funds for freight projects, which for the first time received dedicated funding in the FAST Act with the implementation of the FASTLANE (now INFRA) program, which I championed. Trade and the movement of goods is the backbone of our economy. In Washington state, we know this all too well as forty percent of our jobs are tied to trade.

Questions 1. Where do you see the main chokepoints that require multi-modal investments to keep freight moving?

Answer. The main chokepoints that require multi-modal investments to keep freight moving are at places where the transportation modes meet. These are the place where cargo must be transferred from one mode to another. For example, at seaports where our export cargo (largely agriculture and forest products moving in international marine containers) arrives by truck or rail and must be transferred onto ship, for the voyage to foreign customers. Or vice versa—where cargo arriving from foreign origins, is transferred to truck or rail for delivery to nearby or distant distribution centers. Another chokepoint is at the inland rail ramps, where international cargo arriving by rail from seaports, is transferred to truck for delivery to ultimate destination. Or vice-versa, where our export cargo, (again, largely agriculture and forest products) arrives by truck, to be loaded onto rail for the onward movement to a seaport.

It is the many process inefficiencies and lack of standard supply chain visibility at our choke points in the United States that require multi-modal investment. For example, on the West Coast there are 12 terminals in Los Angeles and Long Beach with no standard visibility to the shipper on where that container is and whether containers are available for pick-up. To compound the congestion problems, terminals have added dual transaction requirements for inbound and outbound freight and appointment systems. The choke points at our ports are further pained by the lack of chassis supply (the metal frame with wheels upon which containers are mounted for over the road). When the system has no wheels for containerized freight movement, the end result is freight that stands still. In the interior of the United States these gridlocks are similar. We have a system at our hub locations in the interior like Chicago, Memphis and Dallas that have multiple Class 1 Railroads serving these geographies. Freight is moving in and out of these hubs daily and there is a need for visibility to this cargo at all times. These inland hubs also have congestion problems when the. During the FMC 2018 Fact Finding Investigation on Detention and Demurrage led by FMC Commissioner Rebecca Dye, The Memphis Supply Chain Team was formed to study this problem in Memphis. The team comprised of industry stakeholders from the rail, shipper, ocean carrier and motor carrier industry found that the supply chain could be greatly enhanced by a gray pool chassis model offering greater supply, interoperability, standard quality and a manager. While there is debate on the benefits of this gray chassis model vs private pool model, there are those that argue that chassis should be treated as a utility model with Federal funding consideration. The bottom line, chassis are a necessary component of the supply chain and shippers need fair access to wheels in order to move their freight. This is an area that needs multi-modal investment to meet the growing challenges and surges of freight in the US.

It should be noted that we could assist in minimizing congestion at these choke points, if we could increase the weight limits allowable for transport in these multi-modal transfer locations. The U.S. has the lowest allowable weight limits for trucks in the developed world. 80,000 lbs. GVW, compared to 105,500 lbs GVW in Canada and Europe, and often it is greater. Which means that the U.S. exporter, must hire 3 trucks to haul her products to marine terminals, while the nearby the Canadian exporter (or the Australian, or Chilean exporter of the same products -agriculture and forest products) only needs 2 trucks to haul his hay to their seaports or inland rail ramps. The exporters in those countries, competing with the U.S. farmer, processor or manufacturer, therefore enjoy a significant cost advantage. Further, the
roads and transfer points in those countries are less congested, and benefit by far fewer diesel emissions. In addition, the United States has a critical driver shortage with the average age of drivers at 55 years old. We need to take a hard look at how we keep U.S. exports competitive and moving.

There are some states, such as Washington, Oregon, Idaho that permit the higher weights allowed in Canada, but this is not uniform across the country, meaning that interstate trucking must conform to our lower weight limits for moving our goods regionally and nationally.

Canada and the Western European countries most certainly have safety and roadway maintenance concerns at least equal to ours. That is why their higher weight limits require truckers spread the load, by using an additional axle, which actually reduces the load on the roadway at each point where the tire is on the pavement. Further, studies show the truck brakes just as quickly, and the trailer swerves less than when the truck is only at the lower (80,000 GVW). Washington, Oregon, Idaho, and other states allowing the higher weight trucks similarly require the additional axle.

**Question 2.** How can increased investments in the freight program better address these challenges?

**Answer.** The challenge for U.S. transportation infrastructure is that it is insufficient to carry the dramatically increased volumes of cargo, beyond that for which the infrastructure was designed to carry. Dramatic increases in cargo volumes moving both internationally and domestically are straining our U.S. infrastructure. Unprecedented volumes of imports into the United States on ships of unprecedented size, containers leaving or returning to the major ports, the over loading the existing infrastructure. Most marine terminals were on rail moving efficiently directly onto the terminals. Today connecting the marine terminals to the interstate highway system aren‘t sufficient to carry the increased number of trucks, without quickly becoming congested. Adding complexity, those roadways must transit urban areas. For example, on the west coast, all the major gateways are located in urban areas where expanding the size and number of roads feeding to and from the marine terminals is extraordinarily expensive and may require exercising eminent domain. Further, cargo is moving on railroads, which are themselves stressed in terms of their own capacity to carry all the cargo, particularly during peak periods. Thus, additional capacity must be built, including more rails ramps, etc. In other words, while the cargo moving domestically and internationally has increased, with some exceptions, U.S. infrastructure to these increased volumes, has not increased.

This leads to the question: who should make those investments and whether those investments are publicly funded, or whether they are private? For example, much of the railroad infrastructure needs will be funded by the railroads, not with Federal tax dollars. The inland rail service for international containers has seen transit times double over the past 2 decades. In 2000, U.S. ag and forest product exports would move from Dallas and Memphis to the the WC in 4-5 days. Today that same transit time is 8-10 days. It is absolutely unacceptable to have transit times in the interior double from key intermodal rail hubs to our ports.

Similarly, marine terminals, particularly at U.S. West Coast ports, are all private terminal operating companies. In many of those instances, the marine terminals will have to be improved with additional cranes, etc. by the terminal operating company itself. In other cases, the public port authority operates the marine terminals, such as Georgia and South Carolina. In those cases, they are expanding the available infrastructure and funding it through both port revenues and state tax dollars.

On the west coast it is clear that individual marine terminals are often too small to handle ships now calling upon them. In the Nation’s largest international trade gateway, Los Angeles and Long Beach, the marine terminals were built to facilitate the flow of containers on and off ships ranging in size from 5,000 to 8,000 TEU’s. However, today’s ships are more likely to be in the 14,000 to 18,000 TEU’s, and that is simply just too much cargo for the older smaller terminals that were built a generation ago. The gates to those terminals are insufficient, the footprint of the terminals is insufficient to handle all the containers stacked there awaiting to be loaded on the ship. And building additional freeways through Los Angeles to get cargo on or off a terminal is problematical best. In the Pacific Northwest, the Port authority has been expanding marine terminal sizes which is essential. However additional road access and railroad access is essential and that is expensive, particularly as they will both have to move through urban areas of Seattle and Tacoma.

Up until approximately 10 years ago, most cargo containers entering or leaving marine terminals were on rail moving efficiently directly onto the terminals. Today most containers leaving or returning do so by truck, requiring tens of thousands of additional trucks on roadways—adding to congestion and slowing the process of cargo movement. Each trucking container must move into the terminal through a
controlled gate and there are insufficient gates because there is often insufficient room on the roads leading into the terminals. Thus, resources to pay for the infrastructure expansion required. Further, the public port authority efforts to combine the marine terminals must have the support of the Federal government. In terms of effort to expand the size of each of the terminals, will require that the Federal and state governments develop plans as to how to convert these privately managed terminals, located on public property, into fewer but larger terminals.

Serving inland areas, where much of our U.S. agriculture cargo originates, requires long truck hauling, unless a rail ramp is located near the farmers, processors, packers. These containerized exports often get international marine equipment from hub locations in Chicago, Memphis, Kansas City and Dallas and then move on to the port gateways by rail. These transit times as discussed have doubled to the coastal ports and some rails have instituted appointment systems which often restrict exporters into meeting these windows. A careful review of our major hub locations and corresponding transits to the port for U.S. exporters and inefficient processes deserve study. It is also important to note that often inland rail ramps are far from the agriculture origins. Additional infrastructure could assist in moving cargo from rural areas into the Gateway seaports seamlessly without adding to roadway congestion—if load points could be added in rural areas. This requires the resources to be agreeable to the operational challenges, and may require Federal funding of at least some of the hard infrastructure to facilitate loading and unloading of containers and their storage at these inland points. For example, for the railroad moving between Puget Sound and Minneapolis/Chicago, the addition of load points in places such as Minot, North Dakota and Tri-Cities in Washington state, would remove hundreds of trucks from the freeways. If the rail, moving through Eastern Washington could stop add a rail ramp that would load containers of potatoes, onions, French fries, pulses etc., that would alleviate the current need to truck all that cargo from Eastern Washington, Idaho and eastern Oregon on congested highways to the urban areas Seattle Tacoma and finally to the seaport marine terminals.

Marine terminal operators lease the terminals (albeit for many years), thus the port authority has some ability to determine the future of the terminals, even those leased long term. But for the railroads, building a rail ramp is only possible if the private sector entity, in this case in Burlington Northern Santa Fe, is amenable. They might do because it increases operational efficiency. To make the actual cost of building the extra sidings, ramp cranes, and other costs affordable, Federal grants and State funding support could make the project attractive. This would require another public-private funding mechanism.

In addition to building intermediate rail ramps along the existing rail routes, a network of shortline railroads could significantly reduce transport costs for food, farm and fiber, whether for domestic or international consumption. This will require coordination with the Class I railroad and Federal authorities, as the Class I/short line agreements currently, give the Class I’s almost complete discretion to deny access to shortline cargo. The STB has ruled on many cases relating to shortline cargo access to the Class I trains.

At the international land borders particularly the southern border, U.S. investment in cross-border cargo infrastructure has lagged behind Mexico’s investment in improving cross border roadways. Under the USMCA, the massive and growing volumes of trucks crossing the border require greatly expanded U.S. highway access to the border, as well as truck waiting areas, and inspection gates. On the U.S. side, projects that have been on the drawing board for many years are still languishing.

The bottom line is increased freight volumes, whether moving domestically or internationally, require increased infrastructure. Bigger ships require bigger marine terminals, more gates, more rail access and highway access. More cargo moving from the coast to inland points requires more rail ramps and improved road access to those rail ramps. In many cases the current transportation infrastructure is privately owned or managed, thus requiring public-private partnerships to plan and fund the required infrastructure.

Paying for Freight. I think we all know and see the value of investing freight, but we struggle to find agreement on how to pay for these investments. Congress has heard support for any number of proposals—including continuing the existing practice of using highway trust fund and general fund revenues or dedicating new revenue, such as the proposed waybill fee.

Question 3. What are your views on how we pay for critical freight investments?

Some funding mechanisms are working, others are not. For example, to pay for dredging the Nation’s waterways and marine channels, as well as jetties, the Harbor Trust Fund provides sufficient revenues. The question is not whether
there is sufficient revenue, but rather how funds are distributed. Should they be distributed for land-side projects to ports which do not necessarily need dredging, but could wisely improve terminals, or rail access, for instance. That is an ongoing debate. There has been some discussion of increasing the fee slightly in order to generate additional revenue dedicated to fund infrastructure at the so-called “donor ports” that is different than that originally contemplating when the HMTF was enacted (dredging, jetties). With the current crisis at that major seaports due to massive volumes of cargo overwhelming the capacity of the seaports, there may be an appetite for, or at least a willingness to enact a slight additional HMT in order to generate the revenues needed to make existing terminals more efficient, and to build new terminals, to combine existing terminals and take the other measures necessary to improve cargo flows.

The Highway Trust Fund’s ability to fund highways, bridges, subways, buses, is insufficient now, and diminishing. With better mileage for cars burning gasoline, with hybrid and electric cars not burning as much or any gasoline, the Federal gas tax that funds the Highway trust fund is generating less and less revenue. The existing funds are barely sufficient to maintain the current highways, subways, etc, leaving precious little to build additional freight infrastructure. And if a highway is built or expanded, the freight and passenger traffic must share it. Congestion remains and a growing concern. A solution is the Vehicle Miles Traveled—which treats are cars/trucks equally, regardless of fuel burned, or if electric, LNG, solar, wind. This is being tested in Oregon, and could lead ultimately to a carbon free environment. The VMT is discussed further, below.

Transportation planners believe that separate network of highways dedicated to freight would dramatically increase not only freight efficiency, but reduce congestion on the highways upon which passenger traffic would remain dependent. In the recent past the trucking industry has indicated support for an additional Diesel Fuel Tax to generate revenue to pay for separate freight infrastructure, ranging from completely separate highways for truckers, to additional lanes dedicated to truckers on existing highways. Whether depending on a tax on diesel fuel at a time when electric and LNG vehicles are becoming more numerous, and which do not consume much or any diesel, is a significant question. In such instances, whether a dedicated fund for generating funds for passenger transport (including urban transit) and funding for freight infrastructure could generate sufficient revenue by taxing all vehicle regardless of whether they consume gasoline or not. The trucking community is largely in support of this, as long as the funds they generate, are dedicated to freight infrastructure.

Additional infrastructure could assist in moving cargo from rural areas into the Gateway seaports seamlessly without adding to roadway congestion—if load points could be added in rural areas. This requires the railroad to be agreeable to the operational challenges, and may require Federal funding of at least some of the hard infrastructure to facilitate loading and unloading of containers and their storage at these inland points. For example, for the railroad moving between Puget Sound and Minneapolis/Chicago, the addition of load points in places such as Minot, North Dakota and Tri-Cities in Washington state would remove hundreds of trucks from the freeways. If the rail, moving through Eastern Washington could stop add a rail ramp that would load containers of potatoes, onions, French fries, pulses etc., that would alleviate the current need to truck all that cargo from Eastern Washington, Idaho and eastern Oregon on congested highways to the urban areas Seattle-Tacoma and finally to the seaport marine terminals. This is only possible if the private sector entity, in this case in Burlington Northern Santa Fe, is amenable. They might do because it increases operational efficiency and the actual cost of building the extra sidings, ramp cranes, and other costs are affordable. If not, Federal grants and State funding support could make the project attractive. Another public-private funding mechanism would be required.

Bottom line: the HMT works. It could be expanded. The Highway Trust Fund may be on its last legs, insufficient revenue coming in from gasoline sales. Vehicle Miles Tax would capture the VMT tax from all vehicles on its road, if so, the passing of the HTF would not be a big blow.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO JOSEPH SZABO

Freight Investment. I have long been a champion of Federal funds for freight projects, which for the first time received dedicated funding in the FAST Act with the implementation of the FASTLANE (now INFRA) program, which I championed.
Trade and the movement of goods is the backbone of our economy. In Washington state, we know this all too well as forty percent of our jobs are tied to trade.

**Questions 1.** Where do you see the main chokepoints that require multi-modal investments to keep freight moving?

**Answer.** Many of freight infrastructure's largest, most complex, and most desperately needed improvements occur where multiple modes come together. These chokepoints must be untangled to unburden our communities and allow for the efficient flow of commerce. While multimodal chokepoints occur in communities of varying sizes across the nation, many of the most costly and critical occur in our Nation's largest freight hubs. These hubs, like Seattle and Chicago, are tasked with safely, efficiently, and reliably moving high volumes of freight and people across many competing modes. The need for investment in these multimodal chokepoints continues to grow, and for this reason, it is critical that Congress eliminate the cap on non-highway investment under the FASTLANE and Freight Formula Programs so states and localities are able to address their most pressing freight infrastructure chokepoints, regardless of mode.

The Chicago region is North America's freight hub and a center of intermodal freight movement. But the region's rail lines—built more than a century ago—were not configured for the volumes and types of freight being carried currently, creating the largest U.S. rail freight chokepoint and also impacting commuter and intercity passenger rail service. Multi-modal investments in programs such as CREATE, a public-private partnership to deliver rail grade separations and other improvements to address this chokepoint, will keep freight moving.

**Question 2.** How can increased investments in the freight program better address these challenges?

**Answer.** Currently, passengers and freight in the U.S. compete for an inadequate supply of infrastructure capacity and financial resources. Both suffer. Competitive grant programs, such as FASTLANE, are critical to funding large-scale freight infrastructure projects, such as where modes come together, which are difficult to fund through traditional distribution methods. The FASTLANE program makes investments in critical freight and highway projects but is currently oversubscribed. In the combined FY17 & FY18 round of awards, the U.S. Department of Transportation (USDOT) received $12 in unique requests for every $1 available. USDOT has received applications for this program from all 50 states, the District of Columbia, and Puerto Rico, demonstrating that needs span the Nation. Research also shows that for every $1 invested through a Federal competitive grant program, an additional $3.50 is invested in the project, leveraged through other sources. By increasing program funding to $12 billion annually, and ensuring that funds are invested in critical freight projects, goods movement infrastructure will be better positioned to support economic growth, domestic production and manufacturing, and U.S. competitiveness and trade in the world marketplace.

**Intermodal Port Projects.** Ports and port terminals are a critical part of our freight network, but frequently get overlooked when it comes to Federal funding. The FAST Act included new programs to help move freight more efficiently. However, I’m concerned that the programs don’t go far enough to help ports.

**Question 3.** How do limitations on the FASTLANE grants impact the ability to fund intermodal freight projects? What should be done to address these limitations?

**Answer.** Currently, only $500 million over the five-year duration of the FASTLANE program can be spent on non-highway projects. This cap severely limits the ability of intermodal freight projects to receive necessary funding from the FASTLANE program. Freight projects often span multiple modes and cross jurisdictional boundaries, making them expensive and difficult to fund through traditional formula programs. It is often in the places where various modes come together that public assistance is needed to close the funding and infrastructure gaps. Freight movement necessitates cooperation among many modes, and funding flexibility is required to make investments yielding the highest return. Therefore, it is critical that Congress eliminate the cap on non-highway investment under the FASTLANE and Freight Formula Programs to ensure that states and localities can make investments in their most pressing freight needs, regardless of mode.

**Question 4.** Does focusing freight policies largely on highways impact our ability to move goods efficiently?

**Answer.** Freight does not move on highways alone—where public benefit is derived, public investment must be made. Focusing solely on highways severely limits the effectiveness of any freight program—intermodal freight is one of the fastest-growing sectors of the freight market and it is where highways meet other modes that bottlenecks and inefficiencies frequently occur. Investing in just one mode of
the complex multimodal freight network will not address these bottlenecks nor will it improve the overall efficiency of the freight system.

Moreover, system redundancies are necessary to meet the needs of a growing economy, and adding highway lanes is simply not an option in many of our Nation’s most congested regions. For this reason, it is important that investment spans modes to allow for unfettered freight movement as populations grow and commuter traffic competes with truck traffic. Also worth noting is that extreme weather patterns, workforce shortages, and the simple economics of supply-and-demand challenge modes disproportionately, making supply chain redundancy and resiliency necessary to ameliorate negative economic consequences.

**Paying for Freight.** I think we all know and see the value of investing freight, but we struggle to find agreement on how to pay for these investments. Congress has heard support for any number of proposals—including continuing the existing practice of using highway trust fund and general fund revenues or dedicating new revenue, such as the proposed waybill fee.

**Question 5.** What are your views on how we pay for critical freight investments?

**Answer.** The Highway Trust Fund (HTF) and its primary funding source, motor fuel taxes, have served our infrastructure network for many years. As noted, in recent years, general fund revenues have been used to supplement the HTF and continue making investments despite declining revenue from direct user fees. Should Congress continue this approach, we maintain that Congress should increase investments in our multimodal freight network as the system directly supports our Nation’s economic health.

However, certainty and reliability are critical for infrastructure development. As Congress contemplates long-term solutions to invest in the freight network, I encourage careful consideration of a waybill fee assessed on the cost of moving goods and dedicated to multimodal goods movement infrastructure. The fee, as applied on both road and rail movements, would raise significant funds and complement existing revenue sources. Importantly, collections based on a waybill fee will be resilient to factors such as movement toward alternative fuels, and the revenues will grow with the demand for services.